

CASHING IN: Maximizing value through effective Cash Management

Cash Management Services: Riding high



Banks are always looking for opportunities to exploit their existing network and technology to enhance revenue. Now, as fee based revenue and sourcing of low cost funds has become a priority for banks, Cash Management Services (CMS) offer an excellent opportunity to maximise value within existing parameters. Which is why it's no surprise to see every bank rushing to take advantage of this lucrative business area.

However, as in all businesses, this business has its own set of challenges. The direct impact on working capital and Supply Chain Management of customers on account of the huge volumes and values transacted everyday, customer expectations of zero error in every transaction, the need for a customised MIS, collections from remote places, instant crediting of money, and real time information of collection status, are just a few of these challenges.

CEO's dilemma

- How can I become a dominant player in CMS?
- Given the huge volumes everyday, how can I ensure zero defects in all customer transactions?
- How can I manage costs while offering competitive prices?
- How can I stop the weakest link from breaking my process?

These challenges are further compounded by competition with newer players offering lower prices and promising much higher service levels. Since there is no switching cost, corporates can easily shift to another bank if they find a better service at a lower cost.

CMS is a volume based business that has varying peaks and lows, which means to maximize its advantages banks have to manage processes at peak loads not only on peak days and weeks but at all times.

As the process is only as strong as its weakest link, the success of CMS depends heavily on robust processes and reduced costs. Fortunately, there is a way to achieve both using a single methodology – SIX SIGMA!

ECS helps a private sector bank gear up CMS for significantly higher volumes

A leading new generation private sector bank retained ECS to improve the reliability of the processes in its CMS operations.

Benefits achieved

- Cost per cheque processed reduced by 30% resulting in a saving of Rs 3.5 crores
- Infinite flexibility in capacity to handle increasing volumes
- Response time to inform customer on outstation /return cheque reduced by 30%

The bank's rapid increase in volumes had put pressure on its service levels. ECS's assessment revealed several weak links in the bank's processes:

- Customer giving cheques late and courier bringing in cheques late
- Maximum cheques hitting the bank just before clearing time, thereby putting pressure on MIS data capture
- Some cheques missing the clearing on the same day thereby affecting the customer's cash flow
- Higher Turn Around Time (TAT) for realisations and returns at all locations
- Large number of unreconciled transactions

Insights from the experience

- Managing correspondent bank is key to CMS operations
- Managing intra-day peak volume is key to surviving in this business
- Routing of courier pickup is critical for making the intra-day load even
- Removing activities from critical path throws open opportunities to scale up volumes

Not everything depends on technology



At the beginning of the initiative, a detailed study was done to understand the current state of the process with respect to its channel partners. The power of SIX SIGMA revealed that although the process seemed effective, there were immense opportunities for improvement. Creative and 'Out of the Box' thinking helped in redefining the new process in terms of movement of cheques and data.

The new process was built around the following philosophies:

- Redefining processes in the areas where the bank had control over the channel partners (couriers)
- Building a process to bypass the obstacles posed by areas where the bank did not have control (correspondent banks, RBI/SBI and customers giving cheques late)
- Removing activities on the critical path for deferred processing
- Centralising activities that are not essential for individual locations/ branches

The SIX SIGMA intervention resulted in improving the profitability of the business by more than 30%, as also adding flexibility to handle wide variations in volumes. As a direct consequence of the intervention, the customer satisfaction on the realisations and returns of cheques increased significantly.

The legacy of this initiative is a culture of continuous improvement in the CMS operations of the bank. The 'snow balling' of this culture in terms of tangible benefits in other areas is an expected and welcome side effect.

Contact for details

Harsh Bisht - Vice President
harsh_bisht@ecs-limited.com

ECS is a premier business management consulting firm in India. Its consulting practice covers **Services, Strategy, Operations, Human Resources & Change Management, Supply Chain Management & Full Value Spend.**

Experience in Banking & Financial Services

ECS's pioneering work in the **Banking & Financial sectors** has resulted in significant improvements in **Turn Around Time and Customer Service** while substantially reducing **costs** in the areas of:

Retail banking

Account initiation, centralization of operations, secured and unsecured retail lending, depositories and branch transactions

Wholesale banking

Trade finance, asset management, corporate banking, cash management services, working capital loan, term loan & corporate Internet banking

We partner all our clients from concept to implementation. Typical results of implementation have been a significant reduction in Turn Around Time and cost along with increased productivity and reliability of business processes.

Some of our leading partners include **American Express, Citibank, ICICI Bank, Dubai Islamic Bank, Deutsche Bank, ICICI Housing Finance, GE Capital, Standard Chartered, ING Vysya, IDBI, Bajaj Allianz, Max New York Life and ICICI Prudential Life.**

Offices:

Mumbai office

2 A, Wing A, 8th Floor, Prism Towers, Mindspace,
Goregaon (West),
Mumbai – 400 062
Tel : 022- 40074600 / 40033400 - 1 Fax : 022- 40074700

Gurgaon office

804, Signature Towers
Tower A, South City
Gurgaon, Haryana – 122001
Tel: 0124-2383301/02, 2383297 Fax: 0124-2383295

Bangalore office

Tel: 080 - 40794128

Chennai Office

1st Floor, Mootha Centre
23 Kodambakkam High Road
Nungambakkam, Chennai – 600 034
Tel: 044 - 42123471/81 Fax: 044-42122190

Web site: www.ecs-limited.com