

## Term Loans

### The new scenario...

The current trend in term loans is fast moving towards structured products and transaction intensity, each customised to cater to a unique client need.

Lending institutions do not enjoy the same position of supremacy that they had a few years back.

Corporate clients have become ever demanding in this new scenario, with many financial institutions gearing up to meet these changing needs.



### Key Challenges

- There has been a significant drop in business volumes leading to high pressure on cost.
- There has been an increase in the Non Performing Assets of financial institutions. This has led to immense pressure of the balance sheet of these institutions.
  - Downfall of some majors like Dabhol has worsened the situation.
- There is an ever-increasing need to provide customized services and products to clients, at expected levels of service delivery while at the same time keeping cost at an optimal level.
- There have been many cases of loan restructuring and sell downs leading to manual interventions and added complications in workflow.
- There is a need for proper risk-management, as each case had significant impact on bottom line of the organisation.

- There is a strong need for a well-defined and standard query and compliant resolution processes.
- An uneven and varying peaking pattern also necessitates a well-defined methodology for effective manpower utilization.
- Current organisation structures lead to information asymmetry between the marketing team and the processing team.

A leading new generation private sector bank retained ECS to optimise its operations while providing customers quick and hassle-free service.

ECS's assessment of the services rendered to the customer revealed significant opportunities to improve processes with an objective to improve effectiveness and efficiency.

There was also an opportunity to centralise some back office operations thereby leading to higher productivity, lower costs and better controls.

### Benefits achieved

- Cost reduction of over Rs.2 crores P.A. by centralisation.
- Reduction in cost per transaction from 8% – 82%.
- Reduction of 51% in manpower leading to improved productivity.
- Significant turnaround time reduction.
- Reduction in non value adding activities by:
  - Standardisation of processes and controls.
  - Increasing straight pass cases.
  - Reducing duplication and re entry across databases and software's.
- Development of effective and proactive monitoring processes.
- Development and deployment of six sigma metrics to facilitate process improvement on a continuous basis.
- Build flexibility in process to take care of structured products

## **ECS designed and implemented end to end Six Sigma processes for term loan operations**

The study focused on aligning the front-end and back- end operations of two merging entities with similar products but different processes. The challenge was to build uniformity in the customer interface and “moments of Truth” for both the merging entities.

The study was also focused on cost minimisation while ensuring ‘customer delight’ in service delivery.

A dedicated team of ECS consultants and client members representing all functions worked on the following processes:

- Post Sanction Process including documentation and agreement
- Disbursement
- Collections
- Servicing
- Closure
- Monitoring

The effort involved understanding customer expectations, mapping the existing work, information & decision-flows and defining the Six Sigma process metrics.

Bringing all customer & management issues and expectations to the surface led to an understanding of their impact on process metrics. Finally, measurement of the Six Sigma metrics gave the extent of variability in service experienced by the customers – both internal and external.

## **Redesign in processes led to a number of intangible benefits, in addition to the monetary benefits listed above.**

These include:

- Redefinition of roles and responsibilities
- A process focused organisation
- Process to manage contingencies
- Higher sensitivity to customer service
- Measurement driven quality improvement
- A continuous improvement culture
- Change Management skills

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### **Contact for details**

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**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 **Service Delivery, Cost Efficiency** and **Operational Risk** reduction 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, GE Capital, Standard Chartered, ING Vysya Bank, Max New York Life, Baja Allianz and ICICI Prudential Life.**

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