

CHAPTER 4

BUSINESS PROCESS REENGINEERING INITIATIVES AT STATE BANK OF PATIALA

4.1 INTRODUCTION

The rich heritage of State Bank of Patiala dates back to the year 1917. It was founded by Maharaja of Patiala State, Late His Highness Bhupinder Singh, with one branch by the name of 'Chowk Fort, Patiala' to begin with. Bank boast of continuously serving the nation for more than 99 years with over 1300 branches and access to over 52000 group ATM/CDMs spread across the entire country. Most of the branches are located in the Indian states of Punjab, Haryana, Delhi, Rajasthan, Madhya Pradesh, Himachal Pradesh, Jammu & Kashmir, Uttar Pradesh, Gujarat and Maharashtra. The bank was founded with the objective for the growth of agriculture, trade and industry.

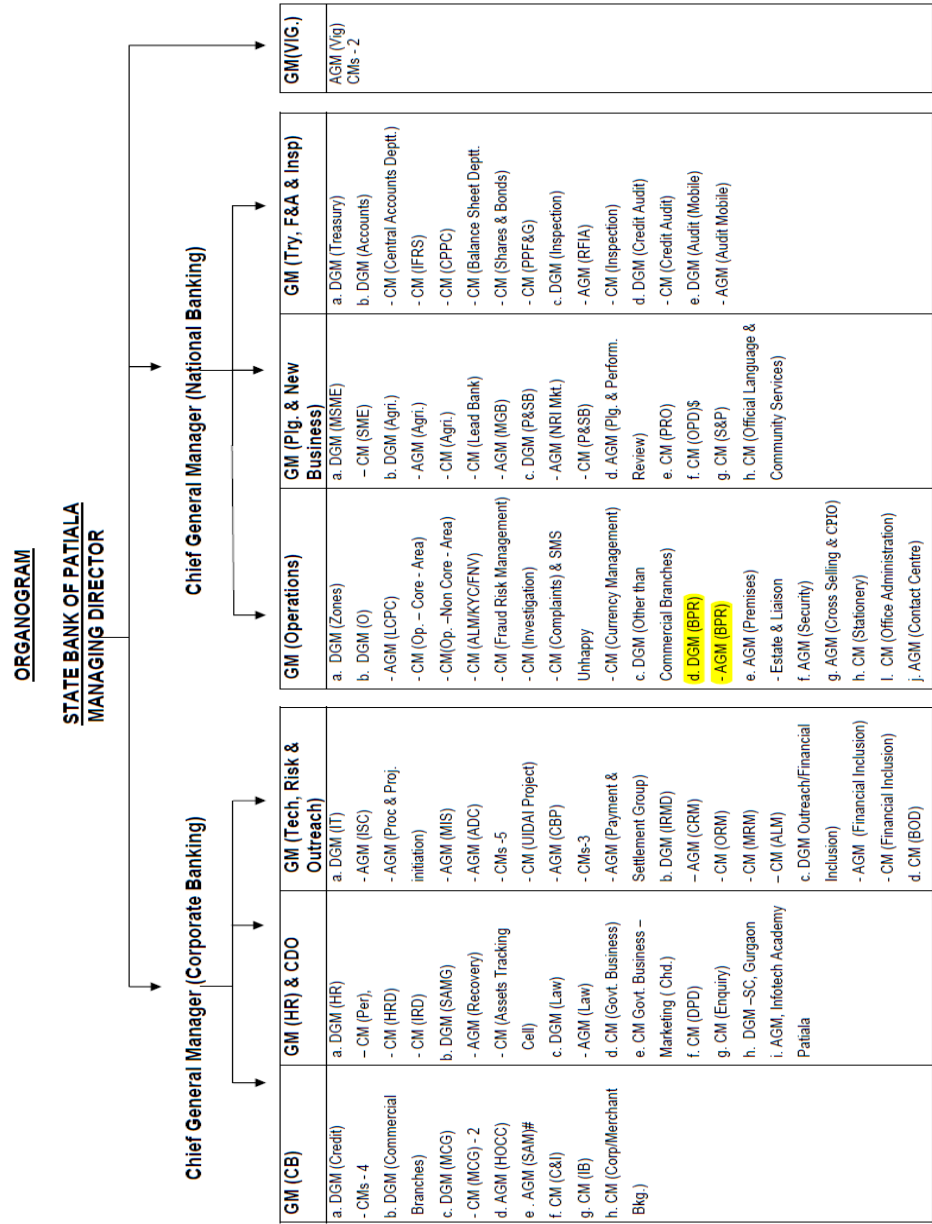
State Bank of Patiala was reorganized in 1948 at the time of formation of the Patiala and East Punjab States Union and brought under the control of the Reserve Bank of India, and was renamed as Bank of Patiala. On 1st April 1960, Bank of Patiala became a subsidiary of State Bank of India and was renamed as State Bank of Patiala.

In line with its vision of "Blending Modernity with Tradition", the Bank took great strides in the field of technology and became the first public sector bank in the country to fully network all its branches. The Bank continues to live up to its avowed mission of customer focused approach by appropriate blend of traditional values with technology platform- the best in the industry, as a prominent constituent of the prestigious State Bank Group.

Bank's Management effort to make State bank of Patiala as one of the best bank through customer centric initiatives, brought BPR initiatives under the umbrella of State Bank of India. SBI hired international management consultancy firm McKinsey & Company to assist country's largest bank to leverage the Core Banking Solution (CBS)

and Business Process Reengineering. Organization Structure shown next gives an idea about DGM (BPR) and AGM (BPR) appointed by bank to implement project Business Process Reengineering.

State Bank of Patiala Organization Chart



*DGM Compliance will report directly to CGM (National Banking)
All accounts which are under CDR/Rehabilitation (NPA as well as Standard) will be handled by AGM (SAM)
\$ For matters regarding Categorization, Upgradation, Creation of Positions, CM (OPD) will report to GM (HR) & CDO through DGM (HR)

(Source: State Bank of Patiala Publication, 2011)

As an associate bank, State bank of Patiala was guided and given various guidelines by SBI to incorporate these Business Process Reengineering initiatives in the year 2005. By the time bank has already tested various initiatives like `Grahak Mitra', Drop Box, Small Enterprise Credit Cell, Currency Administration Cell and Retail Asset Central Processing Cell. Bank initiated 'Business Process Reengineering' to give a big boost to sales growth by enhancing customer satisfaction by bringing speed, accuracy, cost effectiveness thus reinventing itself to meet challenges of the 21st century.

Various writers in the area of Business Process Reengineering commonly opined that it is about radically transforming processes and logistics of an organization to have potential solutions to inefficiencies due to lesser speed of work, delays in processes, attitudinal problems of employees etc. Business Process Reengineering places a strong emphasis on the intensified use of Information Technology since the major focus of BPR is on processes rather than on functions in an organization. Therefore, bank has brought various changes through various initiatives of Business Process Reengineering.

4.2 OBJECTIVES OF BPR

In line with bank's constant endeavor to strengthen its branches and business, bank has underlined the following objectives of Business Process Reengineering Project.

- To create a platform that will result in tangible impact on the bottom line of the bank through increased revenues from new sales units and reduced costs.
- To reduce transaction processing errors, rectification time and customer complaints through creation of Central Processing Centre and standardized systems.

4.3 FUNDAMENTAL CHANGES AT STATE BANK OF PATIALA

To make BPR project a success, following fundamental changes have been made to bank's operating architecture. The key elements to BPR project are:

- Branch Redesign
- Process Redesign

- Central Processing Centers
- Promotion of alternate channels
- Data Based Marketing Capability
- Organizational and Performance Management Redesign
- Change Management

4.4 BUSINESS PROCESS REENGINEERING INITIATIVES AT STATE BANK OF PATIALA

Following are the given initiatives taken by bank in the process of BPR project and to enhance customer service levels and experience by guaranteeing shorter waiting and processing time and enhancing the service channels from which the customer can choose.

Table 4.1: BPR Initiatives at State Bank of Patiala

INITIATIVE/CATEGORIES	NO. OF INITIATIVES/BRANCHES TEAMS				CENTRES			
	2006	2007	2008	2010	2006	2007	2008	2010
year								
Grahak Mitras	234	234	370	370	44	44	60	60
Relationship Managers-ME	4	4	15	21	3	3	12	15
Multi Product sales team	-	45	73	66	-	5	10	14
RACPC End-State(Prototype).brs	262	285	366	395	5	6	11	12
Currency Admn Cells	42	102	127	151	3	7	9	10
Centralized Pension P.C.(branches)	98	103	546	716	1	1	1	1
Trade Finance	-	-	3	12	-	-	1	1
Stressed Assets Resolution Centre	-	16	132	126	-	2	7	6
Liability CPC	-	7	263	732	-	1	1	1
Clearing CPC	-	-	26	79	-	-	1	2
Micro Market Study	-	-	1	1	-	-	1	1

Source: Compiled from various bank reports

4.4.1 Grahak Mitra

Grahak Mitra (GM) is a customer friendly initiative. This initiative has been introduced in branches to project a positive image of the bank and help the 'walk in customers' to get personal attention, response for their basic enquiries, facilitate migration to alternate channels and increased focus on cross selling. Grahak Mitra not only greets people but tries to find out solutions for the problems of customers. "Grahak Devo Bhav" is one of the slogan of bank in Sanskrit language means coming of customer is like coming of God.

4.4.2 Drop Box

The Drop Box is an efficient way to enhance customer satisfaction by providing hassle-free cheque tendering. The acknowledgment is also given, whenever desired by the customer. All urban branches of bank had been covered by Grahak Mitra and Drop Box. All the drop-boxes indicates clearly the time line up to which cheques dropped in the drop boxes would be sent for clearing on the same day. In case of delay of dropped cheques and cheques dropped outside the branch premises including off-site ATMs are being presented in the next clearing cycle.

4.4.3 Retail Assets Central Processing Center (RACPC)

The objective of Retail Assets Central Processing Center is to improve process and customer turnaround time, reduce the processing work load of branches, enabling them to focus on sales and marketing and enhance processing capabilities and skills at RACPC. In this prototype stage, RACPC appraises and sanctions all retail loan applications such as home loan including Mortgage loan, Education loan, Car loan etc. to individuals.

4.4.4 Small Enterprises Credit Cell (SECC)

The objective of a Small Enterprises Credit Cell (SECC) is to improve Process and customer turnaround time, reduce the processing work load at branches, enabling them to focus on sales and marketing and enhance processing capabilities and skills at SECC.

The functions of SECC, in the prototype stage include processing and sanction of Small Enterprise loans (Projected Turnover up to Rs. 5 crores or Fund Bases Credit requirement up to Rs. 1.00 crore) proposals.

4.4.5 Centralised Pension Processing Center (CPPC)

The State Bank of Patiala has centralized the payment of pension across all CBS Branches. The pension of all pension holders is calculated at a centralized level. File Transfer Protocol (FTP) transfers pension to account holders through Link/Focal Point Branches. Any changes made by different state governments in Pension payment parameters are taken care of and pension computations are done accordingly. It is important that retired employees get timely and accurate pension. All processes are automated, and the pensioner gets timely and accurate payment of pension within the time specified by the government. Delays on account of de-centralization or due to delays in receipt of instructions from the pension paying authority on D.A revision, payment and /or restoration of commutation etc. and in calculation thereof are now eliminated. Arrears of DA etc. are also computed centrally and arrears calculated by the CPPC. Of course, CPPC take care of back office operations involved in calculating & crediting pension at monthly intervals but branches will continue to provide front office services to the pensioners, as well as maintain their savings bank accounts for credit of pension. Branches will continue to obtain periodical certificates (Life, Non-remarriage, Non-reemployment etc.) and forward them to CPPC. However, CPPC will maintain the physical custody of files containing PPOs, all certificates etc. The CPPC enables direct transfer of pension to saving accounts of pensioners.

4.4.6 Retail Assets & Small Enterprises Credit Cell (RASECC)

Retail Assets & Small Enterprises Credit Cell has combined the functions of RACPC and SECC. RASECC is a hybrid loan CPC, where both retail loans and small enterprises proposals are processed e.g. House loans including Mortgage loans, Education loans, Car loans marketed by branches/Marketing Teams. Loans are sanctioned without any ceiling. However, the sanction is given by the competent

authority. At the end stage RASECC continues the above mentioned activities in addition to the following activities:

- Execution of Documents for cases sanctioned by RASECC
- Disbursement of loans
- Post disbursement follow up and maintenance (PDC maintenance, renewal of insurance, obtaining of revivals custody of documents/files, closure of loan accounts and delivery of related documents to the customers etc.)
- Processing and sanction of loans and advances proposals (pre-sanction survey, valuation, legal opinion, appraisal) of units under various segments other than Personal and Agricultural segments marketed by Branches/Marketing teams.

4.4.7 Currency Administration Cells (CACs)

Currency Administration Cells act as "Centers of Excellence" and monitor and optimize cash balances across the branches within their area of operation. The objective of setting up these cells is to optimize the currency levels within the network and to free up branch staff.

4.4.8 Liability Central Processing Centre (LCPC)

The liability CPC is designed to take care of liability account opening, maintenance and closing. It helps bank to improve customer service as the deposit accounts are opened at the branches within 8-10 minutes. On opening of account, the customer is delivered a welcome kit consisting of ATM card with PIN and internet banking facility, cheque book and passbook. With these facilitates branches to focus more time on sales and marketing. All the branches have now been linked to Liability Central Processing Centre for the purpose of issuance of Multicity Cheque Books.

Following are given functions of Liability Central Processing Centre:

- Scrutiny Account Opening Form to ensure all particulars (including nomination & introduction details if any) are properly filled in.
- Verify KYC Documents (for new customer).
- Obtain copies of KYC Document and authenticate.

- Authenticate customers' signature.
- Complete Customer & Account Set-up entering mandatory fields and note CIF & A/c number on application.
- Mode of operation in case of joint accounts to be setup.
- Receive initial amount.
- Complete Cheque & ATM personalisation details wherever necessary.
- Process cheque book request, both for new account as well as re-order cheques. (Confirm current address in all cases & if necessary update).
- Issue Welcome Kit & Pass Book duly acknowledged by customer in the required register.
- Arrange for issuance of PIN against acknowledgement.
- Issuance of Pass Book (in case of SB & RD a/c), TD Advice, etc.
- Send applications for day-end verification.
- Receive & verify applications relating to account maintenance activities. Obtain, verify & authenticate supporting documents, wherever necessary send to Liability CPC for further processing.
- Verify & ensure that all particulars are filled in.
- Ensure that copies of all relevant documents are authenticated and attached.
- Complete the day-end verification.
- Authorise cheque issue request, if any.
- Send the application with document to Liability CPC for further processing.

4.4.9 Stressed Assets Resolution Centre (SARC)

NPA is a big problem in banks. For managing NPAs and follow up on all hard recovery, compromise and re-habilitation efforts, bank has launched and rolled out Stressed Assets Resolution Centre (SARC). SARC is city specific and handles all NPA A/Cs presently upto Rs. 1.00 crore of "Per SME" segments (Non-Agriculture) in the city other than mid-corporate and BIFR A/Cs. It ensures that dues are recovered in a definite turnaround time by having varied options mix. The branches /RACPC /SMECC handles normal collection process by contacting customers, by telephone, in person, sending letters etc, and escalates to higher levels of contact whenever amount due for

payment by way of installment (EMI) / interest etc. are not paid on due date. If the customer responds either by payment or seeks additional time or some restructuring of the loan schedule, it will be decided on the merits of the case. However, if all these “Soft” options do not elicit any response and hard recovery option like legal notice, filing of suits etc. are needed, then the case file is being done by Centre. The other objectives of SARC are:

- To unblock the funds locked in the NPAs and convert them into productive assets with least time and costs.
- Branches to focus on new business without getting involved in recovery of hardcore NPAs.
- Issue legal notices through empanelled advocates.
- Preparation of plans in consultation with law officer.
- Filing of suits in DRT/Civil courts and follow-up.
- Initiation of action under SARAFESI Act, 2002.

4.4.10 Agricultural Central Processing Centre (Agri.CPC)

Bank has launched its first Agri.CPC at Bathinda on 11 January, 2007 by linking rural branches. The Agri CPC covers rural and semi-urban branches (except ADB/ABD) in Bathinda district. It processes and sanctions all new loans (ACC/KCC/ATL) and enhancement to existing crop loans. Branches continue to handle proposals received under govt. sponsored schemes or ACC/KCC renewals at existing level. Bank has set up in Bathinda, Jind, Kotkapura, Faridkot, Mansa. It processes and sanctions all new loans (ACC/KCC/ATL) & enhancements to existing Crop Loans. It does not handle proposals received under Govt. sponsored schemes branches. It is expected to dedicate their efforts to aggressively market bank’s schemes for rural lending and source large volumes of proposals and submit them to Agricultural CPC for processing and sanction.

4.4.11 Trade Finance Central Processing Centre (TFCPC)

TFCPC was launched at New Delhi on 14.05.2007. To begin with the TFCPC exclusively handles the Trade Finance business of commercial branch, New Delhi. The linkage of other branches of Delhi Zone has been done in a phased manner.

Trade Finance CPC looks after processing of all LCs, Bills discounted/Negotiated (both domestic as well as foreign) on behalf of all the branches within a city.

4.4.12 Relationship Manager (RM)

Relationship Manger (RM) is an officer posted at a branch. He is required to provide relationship based service to top 300 high value "P" segment customers of the Branch. He is also required to get new high value customers for the Bank. RM (Medium Enterprises) is a Relationship Manger in the Bank whose main job is acquiring and maintaining relationship with new ME (Medium Enterprises) businesses as well as taking care of the existing ME accounts. The scope of work for RM comprises the following:

- Prepares sanction letter
- Arranges for generation of loan documents
- Arranges stamping of documents with the borrower
- Arranges for execution of loan documents
- Ensures compliance with all conditions and stipulations laid out in the sanction letter in consultation with SMECCC officials, if required
- Collects Account Opening Forms, Board Resolutions and other documents necessary for setting up and allowing operations on the accounts.
- Gets Registration of Charge with ROC completed.
- Arranges for creation of Equitable Mortgage.
- Follows up with customer in case SMECCC officials face difficulty in carrying out renewal of loan documents.
- Deals with any other activity connected with documentation and keeps all the documents legally enforceable and in good condition.
- Ensures to get the first stock statements from the customer and to forward subsequent stock statements received by him to SMECCC
- Assists RM in conducting a review of the inspection reports generated by SMECCC for subsequent stock statements and reviewing the Drawing Powers allocated by SMECCC

- Provides assistance to Relationship Manager in resolving routine transaction-related transactions/cheque referrals
- Sorts out any difficulty faced by the customer in the branch on account of day to day activity like cheque book issuance, L/C issue, Bills payments, Statement of account etc.
- Ensures that all charges due from the customer are recovered
- Liaises with local industry/business groups and create database on potential available
- Identifies and short-lists eligible Medium Enterprises from his area of operation for targeting them
- Identifies the product bundles for the customer to suit his requirements by involving product specialists, if warranted
- Makes the business unit profitable by identifying product bundles with more competitive pricing but with adequate margin for Bank
- Achieves business Targets /Income targets as stipulated
- Aims for higher share of the customer's business in case of multi- banking arrangement
- Co-ordinates with the customer for proper assessment of the proposal within a time-bound schedule
- Does compilation of opinion reports
- Does pre-sanction inspection of units and of the security offered for mortgage, if any
- Processes the proposal, does credit assessment and risk assessment and recommends credit proposals jointly with the Customer Support Officer (henceforth referred to as CSO)
- Puts up the recommended proposal direct to the sanctioning authority within whose financial powers the loan falls
- Makes presentations, wherever required, to the committees for approval

- Ensures that the proposals prepared by him are in accordance with the risk policy of the bank and are as per other norms/ standards set up by the bank from time to time
- Puts up the control report relating to sanction of the loan to the competent authority
- Executes loan documents on behalf of the Bank
- Takes decision on requests for excess drawings received from customers
- Takes decision on referrals on payment of cheques or other debits to the customer account
- Carries out scrutiny of first stock-statement and allocation of Drawing Power there on (entry in system to be done by SMECCC)
- Reviews subsequent stock statements and the allocation of Drawing Power thereon carried out by SMECCC
- Reviews the Inspection Report prepared by SMECCC officials
- Reviews the account monitoring reports generated by SMECCC
- Periodically visits the customer site (at least once in 12 months or earlier depending upon the health of the account)
- Periodically scrutinizes cheques issued by the borrower to examine the end-use of funds.
- Reviews irregularity reports generated by SMECCC and puts it up to the competent authority with his comments for approval/confirmation
- Takes up with the borrower for regularization of irregularity in the account
- Analyses the financial statements and MIS reports for any necessary corrective action.
- Attends to audit remarks pertaining to his area.

4.4.13 Clearing Central Processing Centre (Clg CPC)

The Bank has been implementing several Business Processing Re-engineering (BPR) initiatives for the benefit of the customers and Centralised Clearing Processing Centre is

one such BPR initiative. The first Centralised Clearing Processing Centre was started in Chandigarh in July 2007(Oneindia news, 2008).

The cheques/instruments received at the branches for realization across the counter or through the Drop box facility will be lodged as per process flow for SC/DDP automation for all branches at CCPC and non-CCPC center. The Clearing CPC has taken over all the transaction processing relating to inward clearing and outward clearing from branches. Following policy with regard to clearing has been adopted by bank.

- Presenting Bank should afford shadow credit to the presenting customer' account on the same day of settlement and allow the customer to make use of the clearing credit as per the Cheque Collection Policy (CCP) of the Bank.
- As a policy, bank would not give credit to customers' account until and unless clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house.
- The time line for collection/clearing of local cheques will be extended by extra day in case of branches having non-Sunday weekly off and for 7 days branches.

4.4.14 Branch Redesign

One of the primary objectives of the BPR Project is to enhance branch's ability to sell products and service customers efficiently. To achieve this aim, branches have been transformed into Sales & Service focused units with back office operations being moved out of branches into Central Processing Centres (CPCs). Consequently, some of the staff members have also been shifted to CPCs or outbound sales activities. All these have resulted in drastic change in utilization of branch space.

Now, more space is available to customers and less space is required by the staff. One of the Micro Market study done by bank thrown sufficient light on the nature of business available in the area and considering the activities threat, the branches have been converted into core sales and service branch. The customer/staff space ratio is

maintained around 7:3 or 15:5. To keep the objective of branch redesign intact, following policy has been made for this purpose:

- The external signage should be of standard design.
- There should be a self service lobby in front of banking hall to accommodate ATM, internet kiosk, space for cross selling of products such as SBI Cards, mutual fund units & insurance, information kiosk and Drop Box, which should be open for customers for 24 hours.
- The sale and service area should be distinguishable. For example, the RM and Customer Relation Officers (CROs) who will predominantly handle sales be placed in cubicles on one side and SWOs, Case Managers and Service Manager who will handle services be placed on the other side of the Banking Hall. Branch Manager's cabin will preferably be in the area / side of CROs /RM (PB). Further, for a branch with SME Module, the Medium Enterprises Relationship Manager (MERM), Credit Support Officer (CSO), SME service desk and Trade Finance frontline desk should be placed together.

4.4.15 Micro Market Planning

The Micromarket approach can be described as a data driven approach which helps a bank focus on well-defined, self-contained geographic areas (called Micromarkets). This approach can help determine the most optimal physical channel network to serve the customers in this market as well as to define a sales force and campaign strategy to capture the full potential of the market.

A Micromarket is a relatively self-contained definable geography within which the majority of residents (almost 80-90%) perform most of their banking transactions. For SBI, a micromarket would contain around 10-15 SBI branches, to enable effective coordination and control. With a narrower span of control, the micromarket head can set well-defined targets based on deeper understanding of the area, and sales efforts can be customized to the specific customer segment types in the region.

The micro market concept is very different from the Regional Office in three ways:

- The micro market manager has a more manageable span of control (10-15 branches) compared to a regional office. The micro market manager's key focus area is business, and hence can focus his entire effort on forming his business strategies and their effective execution, compared to Regional Manager, who is currently overloaded with administrative and operational responsibilities.
- Micro market manager can decide realistic business targets, and achieve them through his branches, not only on the basis of past performance of the branches, but keeping in view the potential of the location where the branch is (business obtained by competition in recent years), and with support of robust data based strategies, unlike present support of sales planners to the branches.

The basic objectives of this Initiative are to:

- Divide a city into a meaningful number of micro markets to Understand the attractive markets in granular detail
- Identify the customer segments existing, and their location for selecting financial products for them
- Measure performance of own branches vis-a-vis the competitors
- Understand competitive intensity and dynamics in the area
- Gauge the product preference of different customers segments
- Develop strategies for that specific micro market
- Targets to be set for the specific market
- Optimal branch and ATM network to serve the market – numbers, type, location and sizing of outlet
- Specific promotional and advertising strategies for the micro market
- Sales force deployment in the area – product-wise, segment-wise and geography-wise

To sum up, Micro Market approach have broadly three benefits:

- (i) Deeper market knowledge
- (ii) Optimized branch network
- (iii) Tailored sales strategies

Thus, the present chapter highlights the various BPR initiatives taken by SBOP since the year 2005. The subsequent chapters deal with the various dimensions of BPR performance from Financial, Customer and Bank Employees' perspective.

REFERENCES

Oneindia news, language Portal, retrieved online, [www. http://www.oneindia.com/news/](http://www.oneindia.com/news/)
Thursday, May 8, 2012