BPX sheds light on the relevance of processes in financial institutions

n the present day, running a standard financial institution involves vast, complex, and sophisticated processes.

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DUBAI, October 3, 2022 /EINPresswire.com/ -- A financial institution serves two types of functions – primary and secondary. The primary function includes services and facilities like current and savings deposit accounts, overdrafts, loans and advances, discounting bills of exchange, credit, etc. The secondary functions include fund transfers, portfolio management, periodic collections and payments, foreign exchange, underwriting (shares and debentures), etc. Every service and operation involves physical or digital paperwork going through multiple process owners from within and outside the institution. Financial institutions cannot afford to rely on unsystematic and undefined ways of working.

In this blog, we shall shed light on how being process-oriented can help financial institutions ensure robust operations and gearing up for growth and expansion.

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> *Nikhil Agarwal*

Reduce NPAs

Financial institutions have to exercise extreme caution in screening their loan applicants. Doing so lessens their exposure to assets turning into NPAs. Loan repayments are a big source of revenue for financial institutions affecting their cash flow and income. Although NPAs can be addressed through collateral possession, loan restructuring, equity conversion, or selling off bad loans/advances at discounted rates. But the ideal practice is to avoid creating any scope of NPA generation in the first place. One way is to conduct a credit risk analysis of the loan applicants. With a strong screening process, financial institutions can significantly reduce any potential exposure to NPAs.

Swift Services

Complaints of slower services in the branches of financial institutions are rampant these days. And this is even with full-scale digitisation. Employees go as clueless as the customers when something goes off the routine. And this happens when operations are not well-defined or the operational planning is not all-encompassing. The operational planning must cover all the operations of a financial institution. Otherwise, how are employees supposed to act in situations that may be unfamiliar to them? When an operational roadmap is present, they would know what to do as per the rules. Even customers cannot complain when employees are following the rules and regulations. Customers would be in a more knowledgeable position about the status of their services.

Staying Close to Customers' Expectations

It is not unnatural to have displeased customers of a financial institution. For instance, a technical glitch may result in the malfunctioning of ATM services. Or asking for KYC documents at irregular intervals because of internal requirements could be annoying for customers. Having the right processes could ensure that customer dissatisfaction is minimised. Routine ATM maintenance process could help financial institutions keep their machines consistently in working condition. KYC fulfilment could be defined to be carried out every year at a particular month under a relevant process. Customers could be notified about the same via SMS service or email reminders. From initiating the process to completing it, every activity in it could be defined and mapped in detail.

Audit with Greater Precision

Audits are critical to the survival of financial institutions. Proper audits can reveal if any financial irregularities have taken place or are taking place within an institution. In the history of the corporate world, there are too many instances to prove this. But the goal of auditing is bigger than finding faults; it is to check whether the financial operations of an institution are being conducted in line with the internal policies and rules and the applicable regulatory norms. It is the duty of the audit team to report deviations and loopholes in the working systems and suggest solutions. Talking of internal audits, financial institutions must define their audit processes to achieve the aforesaid objectives. Without procedural detailing, not only could the audit team stray from their mission but they could fail to detect deviations and their causes.

Ready to Scale

Having planned and defined processes and systems give a financial institution the ability to operate higher volumes of business. Handling a limited number of customers may be easier with a limited set of internal resources. But when the volume of business increases, increasing the number of employees will not work. This is neither an ideal solution. After the volume of business achieves a certain level, it becomes necessary to define and standardise the business processes. Even digitisation and automation cannot be applied without having defined processes first.

Training Needs

Having defined processes and operations also helps in designing training programs. It is easier to track and monitor performance when there are predefined benchmarks. For example, a time period could be fixed for the processing of an approved loan application under a given bracket of loan amount. It is a common phenomenon that different branches of the same financial institution take different times in processing loan applications. When a standard timeline is fixed with due attention to internal scrutiny requirements and regulatory norms, it becomes easier to measure performance and determine training needs.

Vendor Management

Like any other business enterprise, financial institutions also use the services of many vendors and suppliers. They also outsource many processes to focus better on their core business and to achieve organisational efficiency. Commonly outsourced functions include IT, security systems, customer support, marketing, etc. Outsourcing a process is also a process in itself. Financial institutions have to follow a sequence of activities to initiate and keep it going. They have to define the work to be outsourced, advertise to invite eligible vendors, screen applications for eligibility, select the right vendors based on predefined criteria, prepare contracts and agreements, onboarding, periodical payments, and so on. In reality, this process goes into significant detailing. Vendor management also needs to be treated as a process for the same set of benefits that applies when process orientation is used for any other business function or area of work.

Financial institutions deal with a dear and sensitive asset called money. Either they are loaning out money or accepting money as deposits. In this exchange of money, they make their profits. Therefore, the processes and systems through which this exchange takes place have to be sound and safe. Loopholes and deviations could affect their ability to honour their commitments. Having planned and defined processes ensure that whatever a business does, does that with operational accuracy and efficiency.

To learn more about process consulting or standard operating procedures, get in touch with BPX process consultants today !!

Get advise for E-commerce retail business : https://businessprocessxperts.com/contact/

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