

EXECUTIVE SUMMARY

Bank of Ceylon is a domestic systematically important commercial bank which accounts for the majority of assets, deposits, loans and advances of the banking industry. Personal Branch is one of the four highest grade branches in the Western Province North Region of Bank of Ceylon. The project addressed the processing delay in personal loan processing of Personal Branch of Bank of Ceylon owing to its high implications on the financial performance of the branch. Accordingly, the project intended to reduce the lead time of personal loan process by 50% within one year. The project used processing data from January 2017 up to December 2019 and does not include data pertaining to 2020 due to high abnormalities caused by the COVID pandemic. In addition, personal loans above Chief Manager's delegated authority limit were excluded from the study because solving those delays was outside the branch scope.

Analysis of financial records revealed the existence of a significant delay with regard to Personal Loan processing. While the target processing duration was five days, the processing has actually taken fourteen days to complete indicating a performance gap of nine days. This delay has caused more than 93% of loans to exceed the target processing duration from 2017 up to 2020. Furthermore, this percentage of loans which failed to achieve the target was similar in majority of the months of 2017 up to 2019. High rework rate, non-value creating time in the process, and process time were identified as the peripheral problems leading to this main problem. The delay had severe implications on profitability of the branch. Deficiencies related to quality, processes, and knowledge were identified as the root causes of the problem and eliminating these root causes was deemed as necessary to address the processing delay in the branch.

Literature review, which was primarily based on ABDC ranked journals further validated the findings of root cause analysis and shed light regarding the best solutions to address the problem. Accordingly it was discovered that deficiency in quality, process bottlenecks spurred by waste and inconsistency, as well as lack of knowledge were the key elements that caused processing delays in the branch. It was identified that poor quality in the personal loan process caused reworks which contributed to processing delays. The review further showed that process bottlenecks such as waiting, extra motion, irregularity of operations led to high move time and wait time which subsequently led to processing

delays. In addition, lack of knowledge due to poor knowledge sharing led to poor operational performance. Based on the components identified through the root cause analysis and literature review, the study framework was developed which comprised of quality, process, and knowledge components. Process mapping, value stream mapping, change management, training need analysis, design, and evaluation were identified as management techniques to derive solutions.

Based on the learnings gained from literature, the main objective of the project was established as reducing the lead time of personal loan process by 50% within a duration of one year from project implementation. Reducing rework rate, non-value creating time, and process time by 50% from their current level were recognized as sub objectives for achieving the main objective. The study proposed new checklists, new steps in the loan process, an operational policy manual, new IT application, work segregation, change management, and training and development as the key solutions to reduce the processing delay. The benefit-cost analysis revealed that the project would yield a net incremental benefit of Rs. 6.4 Million. Moreover, it was discovered that the project would enable to generate more revenue using the same deposit funds available with the branch without an increase in the cost of funds which would lead to more efficient utilization of funds.

The key recommendations for project implementation included the practical aspects which need to be considered for realistic implementation of the project. The support of Chief Manager was identified as crucial to ensure that employees adopt the required behavioural controls. Change management was found to be integral for the successful implementation of process improvements. Furthermore, obtaining approval from the top management, Information System Audit, Compliance, and Risk Divisions as well as testing the new application were discovered to be prerequisites for the implementation of the proposed information system. Moreover, approval from the Assistant General Manager -Training was identified as necessary to conduct customized training programmes for the employees. In addition, it was also observed that, after successfully overcoming the processing delay, the branch should adopt marketing activities and continuous improvement to further increase the revenue generation of the branch.