

EXECUTIVE SUMMARY

Hatton National Bank PLC (HNB) is one of the leading and Systemically Important Financial Institutions (SIFI) in the banking and financial services industry in Sri Lanka for nearly 132 years, supporting the economic growth of the country. As a fully-fledged bank, HNB extends a wide range of banking services including retail banking facilities, micro financing, SME banking, treasury functions, corporate banking, trade financing and a number of other ancillary services. International Trade facilitation and financing is one such key service offered by the Bank which has a huge potential as a revenue source of the Bank due to rapid globalization of economies. As a result, there is intense competition among banks to improve their market share in terms of International Trade solutions which is mainly derived through the service quality offered by the banks. However, being a well-established large bank, HNB's key focus and enthusiasm is towards increasing its profits while increasing its market share. This has led, the Bank overlooking internal operational inefficiencies in its processes which hinder its ability to capitalize its full profit potential through maintenance of service quality.

A significant problem that the Bank facing in terms of international Trade Finance at present is its inability to complete all customer requests to issue Letter of Credits (LCs) and Guarantees received, on the same day, deviating from its established service standards to cater all complete requests. Hence, at present deviations from the established timeline targets are observed resulting in a backlog of work in terms of LC and Guarantee issuance which is processed after T+1 time span. Therefore, this Project was aimed to reduce the delays associated with the LC and Guarantee issuance processes of HNB through identification of limitations and possible improvements in the current process and crafting pragmatic solutions to overcome the inherent limitations in the current process whilst also optimizing the process. Initially, the current resource allocations for the two processes were analyzed to determine whether the current allocations were sufficient to handle the LC and Guarantee volumes. Thereafter, the root causes of the problem were identified through operational study, process mapping, informational discussions and interviews with process participants. An Ishikawa diagram was developed by identifying four components and seven root causes which contribute to the identified problem.

Thereafter, a theoretical outline for the problem was developed by referring to previous literature to comprehensively understand the components of the problems. Literature

review affirmed that business processes play a pivotal role directly affecting the organizational performance. Process delays were attributed to lengthier cycle times, bottlenecks, duplicated, redundant and non-value adding steps in the process which ultimately affected the service quality. It was also confirmed by the literature that implementation of IT systems in line with the processes eliminates manual work and thereby reduces cycle time through process optimization. In addition, it was comprehended that people are a key factor which determines speed of the process delivery and therefore knowledge, competency and skills of employees determines process speed and service quality. The management techniques and tools were identified by the author during the literature review, which are applicable in devising solutions to eliminate the identified problem.

Having developed a theoretical outline, pragmatic solutions were devised under each component through the comprehensive understanding acquired through the previously available literature. A streamlined new process flow was proposed by the author under the process component with the use of process mapping, lean principles and standardization tools. In addition, a new resource allocation was recommended to avoid bottlenecks in the approval process. The author also proposed to use an existing workflow web based application for document transmission and to feed automated templates into the core banking system to minimize manual intervention under the system component. Establishing a specialized resource pool for the Bank for Trade related functions was recommended by the author as a solution, under the people component to ensure consistency in employee competency. The benefit-cost analysis for the project as estimated will record a ratio 21.16.

Finally, as concluding remarks of the project the practical aspect of the project is discussed in relation to the project outcome, the project components and solutions proposed linking with literature. Thereafter, the author summarized the tentative time frame to implement the proposed solutions under each component. Finally, the report concluded by providing pragmatic recommendations aligning with the organizational profile and competencies in order to ensure successful execution of the project.