



Teller on

Higher levels of automation in banks decrease the load on the back-office in accounting, reconciliation and so on, and thereby set free resources for enhancing business levels.

WE are in the age of the Internet, which is now an integral part of our life, like a cup of coffee every morning. It has thus far broken geographical barriers and is moving us away from the brick-and-mortar world into the wired (or should it be un-wired?) world. In turn, financial services and other support service providers should now strive to stay in touch, re-tune and re-orient service deliveries. This poses major challenges for institutions such as banks, necessitating fundamental changes in the ways of conducting business.

Gone are the days when one could wait for a process to evolve, and jump in as and when business maturity was reached. In the Internet world, there is a definite need to be a part of the evolution right from the stage of conceptualisation, and during the development process, on an ongoing basis if the vision is to emerge as a major player.

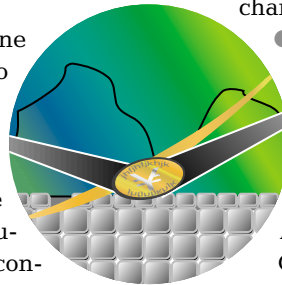
Banks and financial institutions who are enablers of commerce now need to enhance the delivery systems to support EDI and e-commerce. New channels are being defined, which require re-dimensioning of the well-accepted and practiced traditional banking principles.

For a moment, let us go into the origin of these transactions that involve businesses and consumers who are either initiators or recipients in all cases. B2B transactions are large-value, and recurring transactions, while B2C are low-value, large-volume transactions. C2C transactions are low-value and low-volume. Worldwide, B2C transactions have come to the forefront due to high awareness levels and, as in any other new

development, prudence has prevailed to test the waters with low-value transactions. However, the big one is B2B, which is waiting to explode.

Banks have to capture all three streams. Going by the experience at HDFC Bank so far, we have tried to create the field to achieve this, and achieved some first-level requirements such as:

- High levels of automation
- Centralised database management and processing
- Online connectivity across delivery channels
- Front-office and back-office integration
- Surveillance and security systems
- Back-up systems



Automation

Choosing a technology partner is very critical. We chose to go with CITIL (now I-Flex Solutions) to achieve the efficiencies derived out of automation such as low-processing costs, better turnaround times, ability to handle excessive volumes, zero-error rates, better customer deliveries and so on.

Any bank embarking on such automation projects should ask the following questions and try to get answers for better clarity:

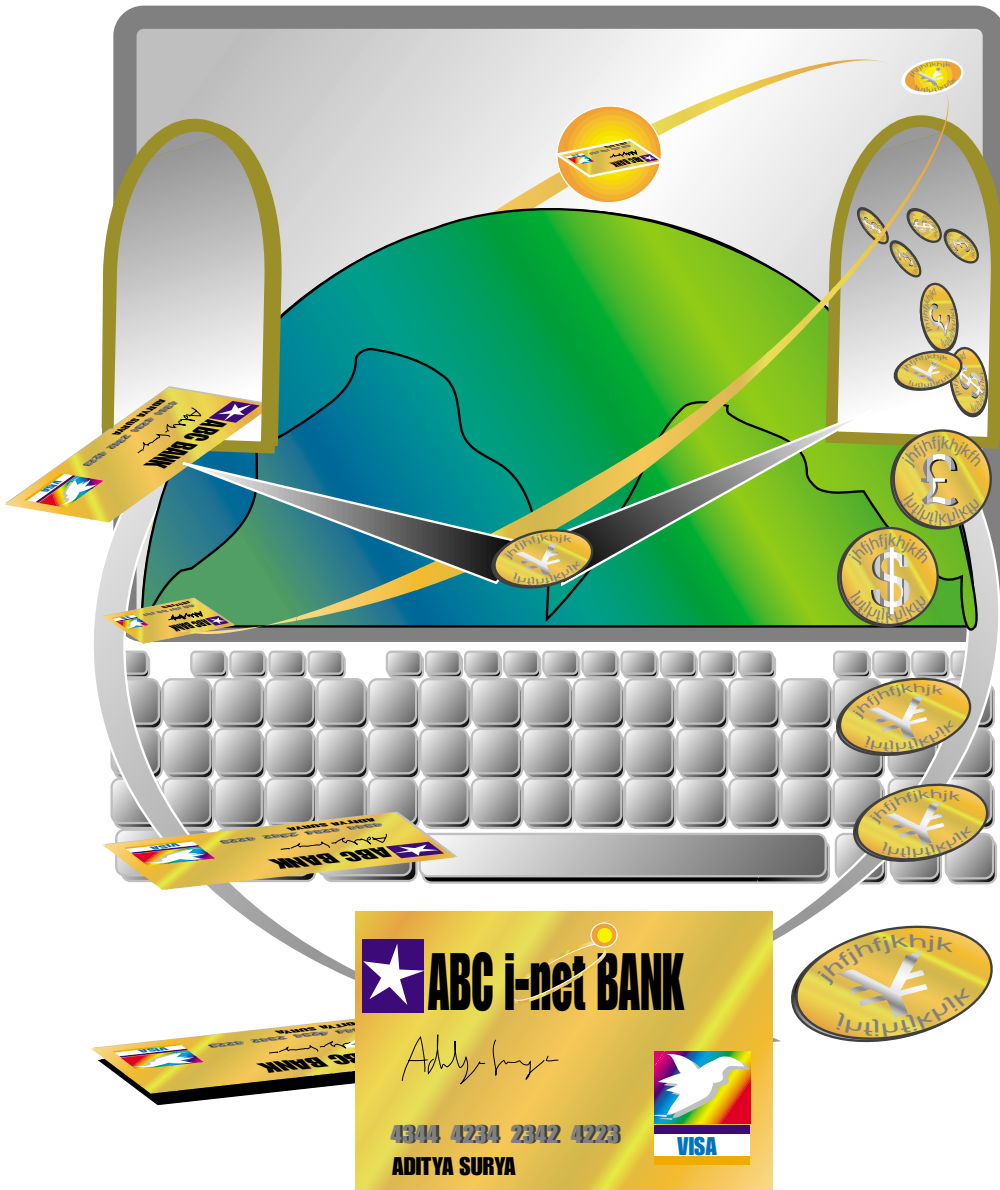
Is automation for:

- Reducing back-office load?
- Improving staff working conditions?
- Improving customer service?
- Enhancing business levels?

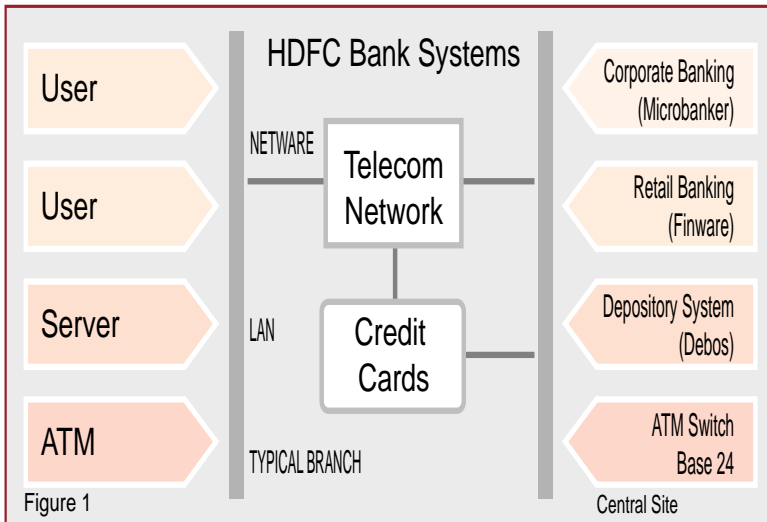
Higher levels of automation decrease the load on the back-office in accounting, reconciliation and so on, and thereby set free resources for enhancing business levels. While the evaluation has to

the Net

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be clearly all of the above, each bank will need to look inward at its priorities and accordingly select the right system – being open-ended, Web-enabled and scalable with the right functionality is crucial.

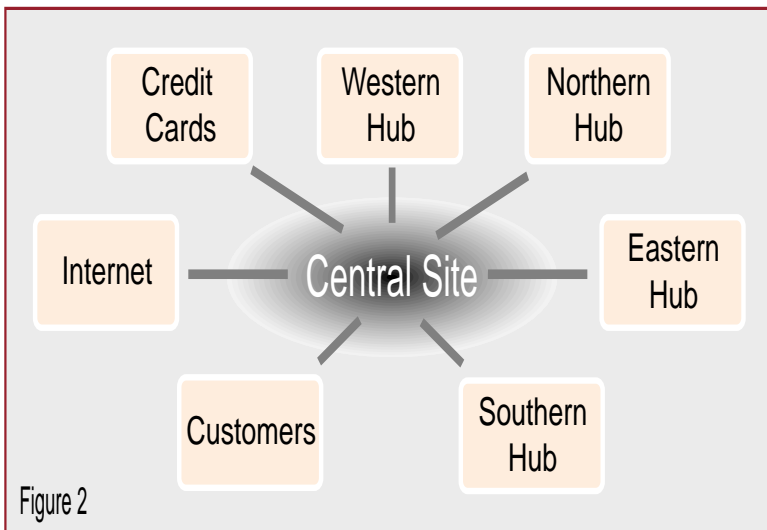
HDFC Bank's current system configuration is illustrated in Figure 1.

Centralised database management and processing

The Internet clearly throws historical debates on centralisation vs de-centralisation out of the window. We are now talking of the flow of information and transactions through the clouds where a de-centralised environment is not conducive and hence there is a basic need to take the centralised route.

This requires business process re-engineering (BPR) and creation of centralised back-offices with re-defined process-flows to/from branches. The basic organisational structure needs to undergo radical changes with more emphasis on empowerment at branches with centralised control.

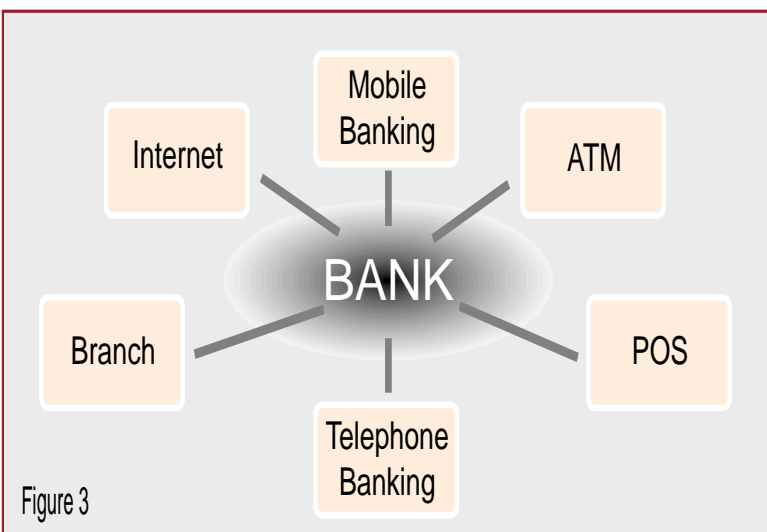
At HDFC Bank, we had set up centralised processing, through a hub-and-spoke concept, with regional processing centres at the main metros, and a national processing centre in the suburbs of Mumbai. This is shown in Figure 2.



Online connectivity

There is a need to connect customers, front-offices, back-offices and other external agencies and determine access levels on a need-based system (real-time, batch, dial-up and so on). This requires a huge infrastructure to run alongside, and hence has to be carefully thought through. With an increasing number of delivery channels such as branches, ATMs, phones, the Internet and so on, the estimations on volumes transacted through each of these channels play a vital part in the determination of bandwidth to ensure acceptable response times.

Through a combination of terrestrial lines, VSAT and ISDN, we have



achieved total online connectivity at HDFC Bank, where all branches and other channels we use access the centralised database.

Front- and back-office integration

Workflow requires to be defined clearly with the over-riding objective of customer service, which should remain at the forefront. Processes have to be transparent, and one has to set up customer service standards, and service level agreements (SLAs) between various internal groups with strong audit systems for service quality. This process is illustrated in Figure 3.

Surveillance and security

All of the above will fall flat without online surveillance and security. Access-control, authentication and encryption mechanisms have to be built around each of the systems. Technology, including firewalls, private and public key certifications and data encryption are available, and a judiciously blended selection is to be put in place, up-front. It is not just enough to have the security set-up. Monitoring mechanisms to tackle the hacker menace and on-going surveillance is a must.

Back-up systems

At this stage, when all of the above are running, the bank has effectively become a prisoner of technology. What this means is that it cannot do away with these systems and it requires a near-100 per cent up-time for staying in business. Hence, the need to have adequate back-up systems and telecommunications, contingency procedures during times of system un-availability, disaster recovery sites and so on.

The road ahead

The above enables banks to occupy the space where recognition comes its way as a superior deliverer of products. Is that all? Not really, as banks have to now turn their eyes to aggressive marketing. There is a need to treat ourselves as a marketing organisation rather than

just a bank. Once the capacity building exercise is over, it is the turn of the field staff to make it happen. To enable this, banks need to have a focussed direction in product identification, business-lines, revenue-streams, pricing strategies and cost-control. Enhancing processing capacity and endurance building has to run parallel, as and when volumes build.

Efforts to prepare the bank's customers for 'dotcoming' their businesses and integration with their back-end ERP systems, trading and other accounting systems will then assume top priority.

When businesses focus on integrating their suppliers and clients, and automate their 'buy' and 'sell' sides over the Internet, banks should counter this challenge and build matching systems for the flow of funds alongside the flow of information.

Integration with EDI and e-commerce

India, unlike other countries, is undergoing a unique phenomenon. It has never seen the EDI phase in its real sense and it is seeing it happen concurrently with e-commerce.

Predictions for the near-future include:

- enabling authenticated e-commerce
- Portal integration
- Evolution of integrated payment systems (gateways) across banks
- Evolution of funds settlement systems (RTGS and similar ones)
- Evolution of EDI standards related to trade such as sales tax/excise/customs and so on.
- Cross-border transactions

Banks play a major role in the economy, and must pioneer change in each new development. It is a matter of perception whether a new development is considered a kit for survival or an opportunity for growth. ■

(The author is Country Head-Transaction Banking, HDFC Bank.)



Banks have to turn their eyes to aggressive marketing, treating themselves as marketing organisations rather than just banks.