

Executive Summary

Alliance Finance Company PLC, is a registered finance company regulated by Central Bank of Sri Lanka. The company is engaged in providing diverse range of financial facilities to customers and is currently facing a problem of increasing the efficiency ratios related to its industry peers that impacted lower profitability. As indicated by CBSL, efficiency ratios are composite efficiency indicators that encapsulate the stability of the financial sector. Therefore, the company has identified and resolved that improving the efficiency ratios as a key strategic imperative. The core business of the company is lease financing accounting for over sixty percent of the total portfolio, and thus improving efficiency ratios in the leasing product account for the highest contribution towards company profitability. Author selected loan disbursement process as a key initiative in improving the efficiency ratios. The project addressed the throughput time of credit process by streamlining and automating processes, eliminating manual steps and duplicated activities, implementing electronic data flow, automating to optimize approval processes and transfer excess employees to revenue generating operations, as potential sources of efficiency improvement.

The project scope has encompassed current situation analysis, process improvement initiatives, training and development and process standardization activities. Existing situation analysis entailed carrying out a root cause analysis, error records analysis, assessment of stages of file completion, employee skills assessment and competitor benchmarking to develop strategy canvas of the process. Process map was developed to identify the documentation flow and process bottlenecks. Additionally implemented SLIPS transfer process in order to expedite the creditor payments and an automated brokerage payment approval system. Further an automated system has been implemented to enable tracking of the progress of client file processing enabling more responsive client servicing by the marketing executives. Automation of insurance file renewals was resulted in a significant reduction of staff as a result of manual interventions. Courier acknowledgment automation was resulted in enhanced accuracy as well as efficiency of the process.

The project helped to achieve a reduction of nearly 1400 man hours per month resulting a 74% achievement as at 31st December 2016. Volume efficiency also increased by 31%, enabling activation of additional 500 files per month even after a transfer of six staff members to fill voids in marketing divisions. Therefore efficiency ratio improved by 7%.

Process re-engineering and improvement is a continual activity. In a progressive competitive financial industry environment banks and financial institutions need to evaluate and re assess their core customer centric processes that will not only improve their internal efficiencies but also with a view to improve strategic competitiveness by enhancing customer satisfaction. This study addresses some common problems typical in a licensed finance company and will provide some useful guidance towards process and efficiency improvements.