



THE FIVE 2020 GOALS FOR INSTITUTIONS SERIES

GOAL #5

Increasing Branch Operational Efficiency with Cloud Solutions

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Branch managers are responsible for managing operations within one branch of a financial institution. They provide leadership to loan officers and tellers and are instrumental in identifying new opportunities in conducting market research for growth. In leading efforts in the branch, the managers check and supervise the branch plans and budgets, assess staff performance as well as verify and submit monthly reports as required.

For many organisations, managing such financial consolidation and close process is a burden that takes time and resources that could better be used for analysis and decision-making.

Branch operations remain a critical component of any financial institution's strategy to strengthen its position in the marketplace and achieve its commercial and social goals while meeting compliance requirements. The role of the operations department expands beyond the back-office functions to client-facing roles. How can the supervisors at the branch level and at the head office assist with the front-office functions to ensure that the overall operations of the branch run smoothly?

Real-time processing increases operational efficiency and staff productivity

Cloud technology has moved financial institutions from an ad-hoc approach to a more systematic methodology. This improves information reliability and reduces processing time and transaction costs while maintaining quality client service. The fundamental idea is for core platforms to enable operational agility across the business and eliminate the constraints of legacy architectures centred on monolithic platforms.¹

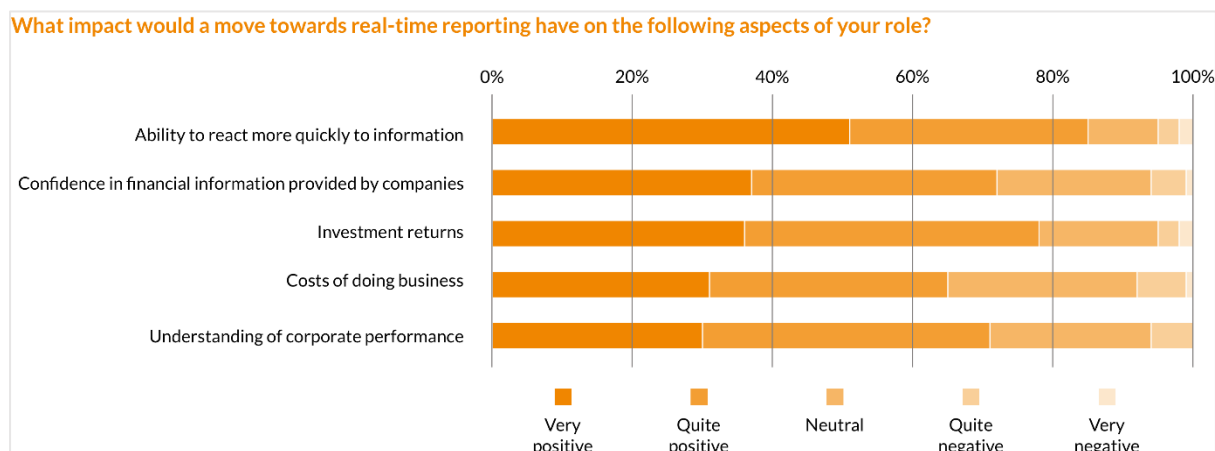
Real-time processing

End-of-day processing is a crucial element of operational workflow for financial institutions. This involves an aggregation of raw transactions into meaningful business data to ensure that business and accounting rules are conformed to, before posting transactions as official records.

Cloud-based core banking systems offer real-time posting in a timely and reliable manner with sufficient level of internal control. All transactions are automatically reflected in accounting in real-time, resulting in a General Ledger (GL) account balance that reconciles with individual ledgers. This is a major difference compared to traditional on-premise systems which usually post accounting entries after daily closing. There is no need for

¹ https://www.ey.com/en_us/banking-capital-markets/seven-rules-consumer-banks-must-apply-to-modernize-their-core-platforms

opening of day and end of day processes. Interest posting, accruals and penalty calculations take place at midnight everyday with no downtime.



From ACCA research: *the benefits and demand towards real-time reporting*²

Comprehensive data consolidation

On a periodic basis, each branch supports the head office to prepare financial reports and budgets for the branch respectively. After compiling all information, the branch manager sends them to the head office from which the staff further consolidates data across all branches. Combining worksheets from various sources is often a multi-step manual operation that is time consuming and prone to human error.

End-of-period (day, month, year) processing can be an extensive procedure due to manual consolidation, resulting in two major effects on service levels:

- 1) staff work longer hours than necessary, which has an inevitable effect on staff welfare and consequently service quality;
- 2) extensive end-of-day processes act as a disincentive to extending banking hours.³ Every hour the staff spend on closing the day could be better allocated to serving the clients.

Cloud-based core banking systems enable financial institutions and their branches to optimise the financial close of period using comprehensive consolidation automatically. The consolidation processes are designed to be up and running in real-time and are easy to maintain as reporting and compliance needs to evolve. By leveraging cloud solutions, organisations enjoy the benefits of automation without any manual intervention of staff. The branch manager can report immediately any delinquency, cash deficiency or any other problems, complete regular internal and periodic regulatory reports fully and on time, assure compliance with all policies and procedures, and get prepared to collaborate with the head office as necessary.

² Understanding investors: the road to real-time reporting <https://www.accaglobal.com/content/dam/acca/global/PDF-technical/financial-reporting/pol-afb-ui03.pdf>

³ <http://documents.worldbank.org/curated/en/723801468161668762/Transforming-microfinance-institutions-providing-full-financial-services-to-the-poor>

Staff performance management

Planning activities with consideration of time required to complete them allows the staff to improve their time management skills and personal efficiency. Operations department monitors all aspects of branch performance by comparing efficiency indicators across the branch network and ensuring that branches meet their savings, portfolio, and profitability targets. However, it can be difficult to monitor staff performance when generating reports related to loan disbursements, collection of repayments, transactions performed, or marketing activities is time consuming. Such performance management must include both efficiency and effective measures. Efficiency implies measuring the number of transactions of different types undertaken by different tellers in a typical period, with care taken to ensure speed is matched with accuracy. In addition, trends in performance over time should be measured as well given that transaction types and volumes differ in every branch depending on the precise segmentation of the branch's clients.

Cloud-based core banking systems enable financial institutions to monitor the performance of staff at the individual, branch or any organisation level. The business intelligence capability of such systems enables organisations to track performance (actual vs. target) of staff at any point in time with customisable operational reports. Such functionality allows managers to closely monitor the activities and accomplishments of branch staff and helps staff reach performance targets, while supporting the financial institution to attain its profit targets on schedule. In addition, operations staff members are empowered to motivate front-line staff and to develop a team approach to achieve greater productivity.

Conclusion

The operations of the transforming financial institutions need to be examined, standardised, automated, and the appropriate personnel managed. Organisations must act smart to futureproof their operations and approach to IT, as client expectations rise, the pace of change accelerates and the competition grows more intense. Cloud-based core banking systems enable organisations to maintain service quality despite growth. Real-time processing and comprehensive financial consolidation help ensure that operational processes are accurate and dependable, timely and consistent, streamlined and efficient and, compliant and auditable. Balancing ledgers, while always a crucial task for financial institutions, becomes even more critical when reporting to regulators. On the other hand, the reporting capability of cloud solutions gives instant performance-related feedback which allows you to make data-driven decisions in real-time. Organisations can set clear goals for their staff and check in their progress to run an efficient and productive team anytime and anywhere, while ensuring everyone is working towards the mission of the company.

About Oradian

Oradian is a financial inclusion company serving financial institutions in remote, hard-to-reach communities. Using insights from our community of customers, Oradian builds a cloud-based core banking system that financial institutions plug into to access best practice and efficiency. Their global community is made up of over 80 financial institutions in 12 countries serving over 4 million end-clients.