**Light House Case study**

"Improve Turn Around Time of Payment process"

**Industry Type >>>**
Banking — Payments

**The Client >>>**
MN_BK_AB

**Improvement Tool >>>**
Lean Six Sigma

**Scenario >>>**

MN_BK_AB is a multi-national bank with its branches spread all over the world. Vendor payment process for the bank starts with receipt of payment schedule along with invoices from the branches. The payment is processed at the main branch, and then the cheques/ demand drafts are dispatched to the respective branches or vendors. The amount of time taken to process the payment is directly related to the growth and profitability of the Bank. Any delay in payment processed leads to customer dissatisfaction and decreased productivity. It also increases the cost per transaction of the payment process.

**Business Challenge >>>**

The sample data collected showed that 13% of the payments processed at the bank were reported as delayed and average TAT was 5 working days. This delay impacted the service delivery levels of the bank. The delay in the payment processing also negatively affected the number of payments made to the branches. It was targeted to reduce the turn around time to 4 working hours from the time of inwarding of payment memo to release of payment.
Re-engineering the payment receipt process has decreased the amount of time taken for clearing the payment. Elimination on non-value added activities and cell design has reduced desk-to-desk transfer of documents. Duplication of entry and verification stages has reduced the processing time for the documents.

**Old process**

Receipt of Packet Processor 1
- Identify the bills to be processed as per the processing day of designated branches Processor 2
- Handover the bills to processor for segregation and schedule updation Processor 3
- Handover the bills to processor for voucher preparation Processor 4
- Check for expense and documentation Processor 5
- Send CC/DD with vouchers to Team Leader for signature Processor 8
- Print the CC/DD Processor 7
- Make entry in the application Processor 6
- Authorize the voucher and send for system entry Processor 5
- Handover the voucher to Team leader/Manager for authorization Processor 4
- Preparation and segregation of voucher Processor 3

**Avg. TAT 5-10 Days**

**The Solution >>>

**To-Be process**

Receipt of Packet Processor 1
- Documents are scanned Processor 1
- Entered in application Processor 2 and 3
- Checks for appropriate approval, line Debit, CC + AR Reversal Team Leader 1/Manager
- If CC, Team Leader/Manager forwards to Processor 4
- Prints the CCs Processor 4
- VENDOR
- USER DEPARTMENT
- HANDING OVER THE MEMO TO DESPATCH
- UPDATE OF SCHEDULE AND DISPATCH TO DELIVERY Counter Processor 1
- Signing of CC Team Leader 1
- Signing of CC Team Leader 2

**Avg. TAT < 4 working hours**
Benefits

Re-engineering the process has increased the number of payments processed from 3500 to 5500 in a period of six months. Automation has also reduced the number of activities from 63 to 15. New process has reduced the resource count from 11 to 8 decreasing the cost of PCs required.

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