



Business Transformation in the Asia/Pacific Financial Sector

People's Bank of Sri Lanka: IT Revolutionizes the 'Bank of the People'

Asia/Pacific: Retail Financial Services

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Situation Overview

The People's Bank of Sri Lanka's vision has always been to "empower people to become value creating, competitive and self-reliant". In line with this vision, People's Bank is one of the country's largest banks. It has assets totaling over Rs. 224 billion and has the largest network in the country, with 326 branches. This unmatched outreach has allowed the bank to break ground in the country's fledgling but crowded banking industry.

Size and government ownership has not created a compelling competitive advantage for People's Bank. Despite the benefit of a large network, People's Bank finds itself in a highly intense competitive environment — individual banks, out of a total of about 26 banks in Sri Lanka, have taken various leadership roles in different market segments. Foreign players have also become increasingly successful in several promising business areas.

The hiring of a forward-looking senior management in 2001 indicated to the market that People's Bank was not going to be just an ordinary "big bank" in a developing market. These executives, who had strong business and strategic experience in several international financial services institutions, quickly built a strategic plan for the bank that relied less on the bank's size than on its efficiency. For the first time in its history, People's Bank had identified technology as a key driver in its strategic plan.

The first phase of the plan included the consolidation of information from across the bank's different branches. A crucial component of this consolidation was the implementation of the core banking platform.

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The Challenge

The new management team realized the implementation of a core banking system would be no easy task. Ironically, the bank's large reach was also one of its major problems. With a network of over 600 customer service delivery outlets running on 16 different systems, it was difficult and laborious for the bank to operate efficiently.

The management team agreed that one of its key goals was to eliminate as many of these systems as possible, and to try to bring People's Bank closer to a centralized and consolidated system. In this manner, the bank would be able to cut costs and manage its products more efficiently in order to optimize customer satisfaction.

Cost was also an issue. This would be the bank's single biggest investment. The benefit of networking branches in remote and rural areas was questioned, as was whether the branches could bear the initial cost of the technology.

The Solution

After a rigorous evaluation process, involving an extensive total cost of ownership (TCO) analysis covering five years, and an evaluation of the features and functions of each system, People's Bank chose the Silverlake core banking application that runs on IBM's eServer iSeries platform.

The bank picked this combination because it believed that the functionality of the Silverlake application supported its retail-focused operational requirements, and that IBM's iSeries' scalability responded to the requirements of the bank's large network.

Initially, People's Bank planned to migrate about 60 branches to the Silverlake core banking system. These branches represent about 60% of the bank's business. The remaining branches, usually in remote areas, will run by using a consolidated in-house Management Information System (MIS). It intends to complete the centralization process by early 2006.

The Benefits

Centralization — People's Bank is well on its way to completing the centralization of its 60 main branches and migrating its operating systems from the previous 16 down to two systems. The bank believes that this will allow for greater savings, greater productivity, and an improvement in overall customer satisfaction.

Customer Satisfaction — With the new core banking system, its customers can now benefit from the "anytime anywhere banking" concept, and experience higher levels of customer satisfaction. Not only this, but with less systems operating within the bank, transactions can now be completed at a much faster rate resulting in more efficient processing, such as shorter loan approval times and easier inter-bank electronic fund transactions.

System Resources — The core banking solution has integrated straight-through processing (STP) abilities, which, when combined with the simplification of the majority of back-end operations, leads to a much more streamlined and efficient operating process. A good example of this is the SWIFT messaging system that relies on STP to deliver its communications. Branches can now focus resources on meeting the needs of their customers. Products can be customized to cater to the bank's diverse customer profiles and needs. Improved effective management will further develop business performance, customer relationships and provide the bank with a solid competitive advantage.

Productivity — The bank is already seeing productivity benefits as branches become centralized. Reconciliation and reporting work that had been done previously by 14 people in a few hours had been cut to involve just two people in less time.

The Future

With the new system almost in place, People's Bank plans to focus further on integrating its IT structure and developing new features to improve productivity. The bank aims to focus on using and linking standardized packages, and keeping its IT infrastructure as simple as possible by continuing to cut down the number of systems it requires.

People's Bank is hoping that the new core banking system will help it to move a step closer to realizing its vision by develop closer relationships with its customers, and to further understand their needs in order to provide the highest quality of service. A good example of this is that many of the bank's younger customers aspire to own their own homes. The bank's core banking system will now allow them the flexibility to develop highly efficient housing loan products to help a new generation participate in the country's real estate market. In fact, People's Bank is so confident of its new core banking system that it plans to expand the solution to 200 branches instead of the originally planned 60.

As the bank completes the first phase of its strategic plan, it looks forward to growing its network. The bank plans to add more ATMs with new features, and to soon issue debit cards. It trusts that its new core banking system is able to support these development plans. Of the core banking project, People's Bank CEO and General Manager, Mr. Asoka de Silva, said, "We have thus been able to improve and consolidate our financial strengths and commercial viability, relying on effective management, strategic decision making, enhanced relationship building and meeting our competition with confidence."