# Implementation of Business Process Re-engineering and its impact on Financial Performance of Banks (With Special Reference to State Bank of India)

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***Abstract***
*The banking scenario in India is at cross roads and is continuously evolving, but the progress has been remarkable in recent years with the level of competition increasing in the banking industry. Banks are trying with each other to entice customers with more and more personalized service.*

*Over the last decade, the concept of Business Process Re-engineering (BPR) has entered the industry mainstream in many business houses and services. Leading organisations in almost every industry have discovered that by harnessing, managing and redesigning, the organizations' business processes can induce spectacular improvements in business performance and customer service.*

*This study tries to investigate this phenomenon in the context of State Bank of India. BPR implies transforming processes that are part of a larger system in order to enable organizations to empower themselves with contemporary technologies, business solutions and innovations to customize their business processes.*

**Keywords**: BPR, ICT, Financial Performance Innovation, transforming process and economy.

## Introduction

The world is open and controls of government are getting minimized, better technological options are available, re-engineering enables processes to be quick, shorter and speedy; products are as per customer's expectations; there is change in the mindset of the people working within the organization i.e. to create a feeling that they are working ultimately to give out the best to the customer. Therefore, the research aims at evaluating the re-engineering opportunities utilized by the banking sector in India.

The study would help the banks to enhance their revenues and cut down the cost. BPR has been super imposed on existing age old system of banks in India. Despite of being an efficient system, duly accepted worldwide, due to the fact that it was superimposed on the existing system, it has met certain resistance both at structural and implementation stage and therefore, it is needed to analyse the efficiency of this system at the ground level and to suggest ways by which it would become more compatible and user friendly for both the employees and customers. This study opens new avenues for economic development and growth.

In the banking industry, the Business Process Re-engineering (BPR) means transforming the select processes and procedures with a view to empower the bank with contemporary technologies, business solutions and innovations that enhance the competitive advantage. BPR can be defined as the fundamental reconsideration and radical re-design of organizational processes, in order to achieve drastic improvement of current performance in cost, service and speed in the words of Michael Hammer and James Champy. The objectives of BPR are to reduce the transaction process time without sacrificing security aspects, quality and real time service to clients and extensive propagation of single window concept. BPR basically aimed at maintaining long term profitability and strengthening the competitive edge of banks in conforming to transforming market realities.

**Evolution of State Bank of India:** The State Bank of India was established by an Act of Parliament passed on April 30, 1955 on the basis of the recommendations made by the Rural Credit Survey Committee, 1952 to bring the Imperial Bank of India under public ownership and to entrust it with the responsibility of spreading the banking facilities to the remote regions of the country. Accordingly, the Committee recommended the formation of a new bank, to be called State Bank of India by amalgamating the Imperial Bank of India with 10 major banks associated with the former princely states with a view to having effective state control.

## Review of Literature

Wienclaw[11] studied that operations managers are increasingly concerned with the management of business processes in organizations. These processes are number of linked activities that transform an input into the organization into an output delivered to the customer or other member of the supply chain. Emphasizing business processes enable the organization to be more flexible, optimize the responsiveness of the organization to the demands of the marketplace, reduce costs and address issues of quality, consistency and capability.

Bhasin and Parrey[2] discussed that business process management strives to induce a radical change rather than an incremental change. An analytical approach has been adopted for the study and the case of J and K Bank, which is

a leading private sector bank operating in the state, has been taken for consideration. The study tried to take a critical account of existent business process management in J and K Bank and to study the relationship between business process management and organizational performance. The findings of the study revealed that business process management exists in the J and K Bank and it is having a significant relationship with organizational performance.

Darmani and Hanafizadeh[4] proposed methodology aims to achieve lower risk and higher probability of success for BPR projects. This objective is achieved by integration of the concept of portfolio selection problems (PSP) into the organizational decision making concerning BPR project. This methodology suggests a novel way to benefit from PSP for process selection problems by putting additional control on implementation risk of re-engineering project. While the urge of using re-engineering project exists within the current companies, the high level of risk of these projects is considered as a huge obstacle in conducting this project. This study, by proposing a new method, aims to address this issue as well as point to the practicality of integrating PSP model in organizational contexts.

Malarvizhi[6] discussed about modern-banking as a major invention that has changed the business of banking. From the findings of the study, it was revealed that customers are satisfied with the services provided by the public sector banks than the private sector banks. The study suggests that customers have to be educated in the use of every new technology.

Bidyut Jyoti Bhattacharjee[3] discussed adoption of privatization and globalization policies, the nationalized commercial banks of India come under pressure in their business. The result shows that the customers are not satisfied with the banking services at all especially with the ATM services. Therefore, awareness program should be conducted regarding the use of other e-technology devices to make smooth and prompt business transaction.

In the last two decades, banking sector has witnessed a number of reforms. These reforms have enormously contributed to the present improved status of banking system in India. He stated that 15 out of 27 public sector banks have fully computerized their branches. Technology has brought the fundamental shift in the functioning of banks, which not only helps the banks to bring improvements in their internal functioning but have also enabled them to provide better customer service thereby breaking all boundaries and encouraging cross border banking business.

Wang, Chan and Pauleen[13] stated that supply chains continue to replace individual companies as the management arena for value-adding from the beginning of the twenty first century. Understanding the supply chain management practices in a globalization context becomes increasingly important. This study discusses the limitations of current SCOR analysis and provides a mapping technique—Causes/Effects, the SCOR Standard and Mutual Solution (CESM)—for gap mapping, problem prioritization and business process modification in supply chain setting.

## Objectives of the study are:

- To measure the efficiency of BPR implementation.
- To determine the financial performance of SBI.

There is no significant impact of BPR on the financial performance in terms of Net Worth, Return on Assets, NPA, Capital Adequacy, ROE and Market Share in State Bank of India.

## Research Methodology

In this study data is undertaken with a view to determine the impact of efficiency of Business Process Re-engineering on the financial performance in terms of (Net Worth, NPA, ROA, ROE, Market Share, Capital Adequacy) in State Bank of India. The data based on secondary aspects are analysed and interpreted by using the statistical tools like Correlation and Regression analysis and T-Tests.

## Results and Discussion

The tables are shown in the study to depict the trends of financial aspects in terms of percentage and amount. The period of the study is March 2009 to March 2013. In this study, correlation and regression have been applied to measure the internal consistency among factors examining financial perspectives of SBI.

Table 1 show the correlation and it is evident from these tables that Pearson's correlation coefficient between Business Process Reengineering and financial performance measured in State Bank of India is 0.787, 0.382, 0.715, 0.167, 0.793, 0.356 of NW, ROA.CA, NPA, MS and ROE respectively which is significant at 5% level since the significant value (p-value) 0.0 is less than 0.05 except in case of NPA . Therefore, it is concluded that there is significant association between Business Process Reengineering and financial performance in SBI.

Table 2 shows that the performance of net worth increased from 579477 amounts in 2009 to 988837 amount in 2013. In case of ROA, the % 1.04 in 2009 reduced to 0.91 in 2013. It is concluded that some traditional approach becomes a barrier in the way of BPR. The market share of the % 75.82 in 2009 decreased very minutely to 74.31 in 2013. The study reveals that IT has been used traditionally for supporting the existing business functions, i.e. it was used for increasing organizational efficiency, it now plays a role as enabler of new organizational forms and patterns of collaboration within and between organizations. Information Technology department is basically concerned with the use of computer systems and other forms of communication technology in the business. An attempt was made to understand the impact of BPR exercise on the processes of the banks through the analysis of the financial performance of banks. It was found out that under BPR, banks makes an effort to introduce

newer processes which take less time and are also cheaper compared to old and traditional processes used in the banks. The study was conducted to know the effective implementation of BPR and in what manner it was introduced. Overall impact is satisfactory but in comparison to the private and foreign banks, it has not gained total attention.

**Table 1**
**Correlation between Parameters and BPR**

| Model | R | R Square | Adjusted R Square | Std. Error the Estimate | F-Value | Sig |
|---|---|---|---|---|---|---|
| 1 Net Worth | .787a | .619 | .492 | 119386.338 | 4.849 | .000 |
| 2 ROA | .382 | .146 | .139 | .189 | .513 | .000 |
| 3Capital Adequacy | .715 | .511 | 1.053 | 1.053 | 6.16 | .000 |
| 4 NPA | .167 | .028 | .479 | .479 | 0.086 | .789 |
| 5 Market Share | .793 | .628 | .504 | .125 | 5.068 | .000 |
| 6 ROE | .356 | .127 | .165 | 1.39340 | .435 | .000 |

**Table 2**
**Analysis of Various Parameters in State Bank of India**

| Parameters /Year | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Net Worth (Amt in Rs) | 549477 | 659492 | 649860 | 839512 | 988837 |
| Return on Assets | 1.04 | 0.88 | 0.71 | 0.88 | 0.91 |
| Capital Adequacy | 14.25 | 13.39 | 11.98 | 13.86 | 12.92 |
| NPA | 1.79 | 1.72 | 1.63 | 1.82 | 2.10 |
| Market Share | 75.82 | 74.63 | 74.97 | 74.28 | 74.31 |
| Return on Equity | 17.05 | 14.80 | 12.62 | 15.72 | 15.43 |

## Suggestions

- Banking organizations should focus on the implementation strategies and techniques while reengineering their business processes.
- BPR is a viable tool for transformation, provided it is thoroughly understood and properly executed. SBI has already implemented BPR and it serves as a reference point out to find out infrastructural requirements for adopting BPR and to measure the associated benefits

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(Received 02nd January 2019, accepted 03rd February 2019)