MicroSave Briefing Note # 39

Serving Depositors: Managing Transactions

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A key challenge for many financial institutions serving the low-income market is how to optimise branch operations to serve high volumes of depositors – to provide high quality services at a low unit cost. This Briefing Note examines managing branch operations for efficient transactions. Briefing Note #38 examines branch infrastructure.[1]

Managing For Efficient Transactions

Efficient and effective delivery is key in providing customer focused services. An institution promotes efficient front office services through effective teller management, through peak load management, through identifying and removing process bottlenecks and through ensuring continuity of services.

Teller Management

Teller Screening: Banks like Equity Bank in Kenya screen prospective tellers for basic computer competency before employment to ensure entry speed and accuracy.

Teller experience: Teller experience is a critical factor in processing transactions quickly. In many cases an experienced teller can process double the number of transactions per day than an inexperienced teller. Reasons for this include the higher level of supervision required for inexperienced tellers and the time taken to develop proficiency in counting money. To reduce supervision delays in physically passing documents between the front and back office Centenary Rural Development Bank in Uganda introduced online supervision.

Teller positions: Teller positions should be designed for efficiency, to provide sufficient space for computer equipment and to count cash. Where budgets allow, counting machines can be introduced to count high volumes of notes or coins.

Teller performance monitoring: Financial institutions should monitor the performance of tellers at an individual and at a branch level, both from efficiency and accuracy perspectives. Performance trends should be measured over time and any anomalies investigated. Qualitative measures may also be necessary to investigate the length of queues and the average time spent by a customer in the branch.

Incentive Schemes: To motivate performance Staff Incentive Schemes for savings can be investigated. These can be of tournament nature that rewards the best tellers in a branch or they can include branch-based incentives that measure collective performance.

Personnel Issues: As transaction volumes increase it becomes increasingly difficult to respond to the legitimate needs of tellers, in terms of lunch hours and vacations. Working through lunch hour risks lower productivity in the afternoon. However, leaving teller positions vacant risks not serving customers at the busiest time of day. In branches with few tellers, or a stable transaction volume throughout the year it can be difficult for staff to take vacations. Mitigation strategies include employing relief cashiers that operate in a particular region or city.

Managing Peak Activity Levels

A typical front office environment has highly irregular levels of activity, especially so given the large number of small transactions prevalent in mass-market deposit taking. Peak loads are affected by a series of factors.

Product range: An institutions' chosen product range is a key determinant of transaction volumes. Salary accounts create monthly peaks in activity, with customers withdrawing funds over the month end. School fee payments create peaks in activity prior to each school term.

Banking hours: Extending banking hours is extremely beneficial for customers. In response to customer demand, Equity Bank in Kenya extended banking hours by an extra thirty minutes per day and introduced banking on Saturday.

Manual procedures: As savings volumes grow, manual procedures become challenging. Postal Savings Banks operating manual passbooks provide slow service to customers due to supervision, reconciliation and internal control procedures.

Customer communications: Understanding the drivers of customer queries enables an institution to remove queries from queues. Equity Bank uses Salary Boards, which display when salaries have been processed from large employers around that branch. Other strategies include directing queries through signage to customer service desks, and providing answers to frequently asked questions in a visual or printed form. Customer Service Officers and Security Guards should also be used to assist customers.

Queuing systems: Single point queuing systems can be used in larger branches to ensure that queues are not prevented from moving by an individual customer enquiry.

[1] This Briefing Note is based on Cracknell, "Serving Depositors: Optimising Branch Based Banking", *MicroSave* (2005). It can be downloaded from *MicroSave*'s website **www.*MicroSave*.net** from the Studies section.

Staffing levels: Staffing levels should be matched to anticipated activity levels wherever possible. This means during busiest periods that all teller windows are occupied for the longest time. Part time tellers are sometimes used, but make quality control challenging. Training tellers in multiple skills, like marketing and market research, can allow an institution to justify employing additional tellers to cover peak periods.

Specific extensions of banking hours: Where peak activities can be predicted, specific extensions of banking hours may be possible - for example, during month ends or the payment of school fees.

Banking hall design: Wherever possible the design of the banking hall should facilitate high volumes of transactions. See Briefing Note # 38 - Serving Depositors: Branch Infrastructure.

Technology

Banking System: Technology offers solutions to decongest banking halls, firstly through using computerised banking systems, secondly through networking individual branches, and thirdly through introducing multiple points of access through mobile banking or cash machines. Cash dispensers are already being used in some microfinance programmes, such as PRODEM in Bolivia or through Ferlo MEPS in Senegal. It is important to continuously monitor the percentage of time that cash dispensers are online so that remedial action can be taken quickly.

Banking systems should also be designed to facilitate high volume transactions. Reducing the keystrokes required for each transaction through careful system design can save seconds per transaction and thus hours per day. The banking system should be scalable - system performance should not decline rapidly as the number of accounts on the system increases.

Process Bottlenecks

Often slow transactions are caused by process related bottlenecks. These often occur due to the organic growth of procedures over time, or the unchecked requirement to increase internal control. Process bottlenecks need to be carefully analysed and removed wherever possible. This can be done through systematic process mapping.[2] Common process bottlenecks include:

Account opening: Extensive account opening requirements help protect financial institutions against fraud and money laundering, but can penalise poorer or illiterate clients who make frequent trips to open an account.

Teller limits and supervisor approvals: Low teller limits strengthen internal control, but add directly to total transaction time. Careful examination of approval cut off points should be made.

Passbook or card issue or replacement: Centralised issue and replacement of passbooks and cards can lead to delays where there is poor handling of source documents, insufficient production capacity, or extensive batching of passbooks and cards prior to processing or delivery.

End of day processes: Extensive end of day procedures make it more difficult to extend banking hours and make staff work longer hours than necessary.

Ensuring Continuity of Services

Continuity of services is extremely important. Advertising a new quick and flexible savings account can be rapidly undermined if the service goes down every time there is a power failure. Back up power supplies should be the first line of defence. When this fails there should be contingency plans for manual procedures. Lastly, there should be disaster recovery systems in place, which are appropriate to the size and nature of financial institution.

Critical Support Functions

Optimising branch operations requires continual support in a number of key strategic areas.

Operations: An operations department develops and maintains appropriate infrastructure and provides close supervision of branches on a day-to-day basis.

Information Technology: An information technology department ensures that an appropriate banking solution is chosen and maintained. In association with operations, finance and marketing it ensures that reporting requirements essential for managing operations are met.

Branch Based Costing: The profitability of a branch network is assessed, maintained and expanded through product and branch based costing.

Marketing: A customer focused marketing department drives effective brand management, customer communications and supports branch based sales. It monitors service levels through customer surveys and focus group discussions.

In Conclusion

Managing for efficient transactions, implies making a series of strategic choices relating to managing tellers and peak activity levels. Critical support is required from Head Office. The decisions taken will have a direct impact on institutional profitability.

[2] See "Champagne et. al., "Process Mapping Toolkit for MFIs". *MicroSave* (2004). It can be downloaded from *MicroSave*'s website **www.*MicroSave*.net** from the Studies section.