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POST GRADUATE DIPLOMA IN MANAGEMENT (2024-26)

MID TERM EXAMINATION (TERM -III)

Subject Name: **Business Process Reengineering (BPRE)** Time: **01.00 hrs**

Sub. Code: **PGO33** Max Marks: **20**

Note: All questions are compulsory.

Section -A

Read the following use-case and answer the following questions: 10×2 = 20 Marks

Business Process Reengineering in the Banking Industry: A Case Descriptive Study

Business Process Reengineering (BPR) is a transformative approach that enables organizations to rethink and restructure their core operations for significant improvements in efficiency, cost reduction, service quality, and speed. In the banking industry, where customer expectations, regulatory compliance, and technological advancements drive competition, BPR has played a crucial role in reshaping traditional banking models. Banks have historically operated through bureaucratic, paper-based processes that led to inefficiencies, delays, and high operational costs. However, with the increasing demand for digital banking, banks have leveraged BPR to automate processes, reduce turnaround times, and improve customer experience. One of the most notable examples of BPR in banking is Citibank, which redesigned its loan approval and customer service operations to cut processing time from weeks to just a few hours, significantly enhancing customer satisfaction.

A conceptual foundation of BPR in banking revolves around rethinking the entire workflow rather than making minor adjustments. Banks have implemented BPR to streamline loan processing, account opening, credit approvals, and transaction management. Traditional banking relied on multiple levels of verification, manual data entry, and physical documentation, resulting in long processing cycles. BPR initiatives, such as adopting digital Know Your Customer (KYC), automation in loan approvals, and electronic fund transfers, have replaced redundant steps, leading to faster processing and lower costs. The integration of Robotic Process Automation (RPA) in banks like HSBC and JP Morgan has significantly improved back-office operations by automating tasks such as compliance reporting, fraud detection, and document verification.

One of the critical components of BPR is concurrent reengineering, which involves rethinking multiple processes simultaneously rather than taking a sequential approach. In the banking industry, this is evident in the digital transformation efforts of banks like ICICI Bank and HDFC Bank in India, where multiple departments—customer service, credit risk, and IT—worked concurrently to introduce digital banking solutions. For example, when ICICI Bank introduced its iMobile Pay app, it reengineered several processes, including mobile banking authentication, online fund transfers, and customer grievance redressal, ensuring that digital services were seamlessly integrated. This concurrent reengineering approach helped the bank gain a competitive edge in the digital banking space by reducing customer waiting times and enhancing transaction security.

The role of Business Process Reengineering in Industrial Engineering is also evident in banking operations, particularly in branch optimization and automation. Industrial engineering principles, such as lean management and process optimization, have been applied in ATM networks, call centers, and branch layouts to reduce idle time and improve customer service efficiency. Bank of America, for instance, used BPR to redesign its branch layouts, integrating self-service kiosks and digital advisory services to minimize queues and reduce dependency on manual teller interactions. Similarly, banks have implemented workflow automation for back-end operations, eliminating unnecessary approvals and paperwork in mortgage processing and loan disbursement. Wells Fargo's adoption of AI-driven underwriting processes is a testament to the integration of BPR with industrial engineering, ensuring efficient risk management while reducing human errors.

From a strategic perspective, BPR in banking aligns with long-term business objectives such as improving customer experience, increasing profitability, and enhancing regulatory compliance. A strategic reengineering initiative should be designed to meet market demands, technological disruptions, and regulatory changes. For example, banks that have successfully integrated Open Banking APIs and Blockchain-based transactions have positioned themselves as leaders in financial technology (FinTech). Standard Chartered Bank leveraged BPR to develop a customer-centric digital banking model, integrating artificial intelligence (AI) chatbots and predictive analytics to enhance customer engagement. This shift was not just an operational improvement but a strategic move to compete with emerging digital-only banks and FinTech startups.

Major business processes in reengineering within banking include retail banking, credit and risk assessment, fraud detection, customer service, and compliance management. Traditional customer service models in banks required

customers to visit branches for queries, leading to long wait times and operational inefficiencies. With BPR, banks have adopted automated chatbots and AI-driven virtual assistants, such as SBI's YONO and HDFC Bank's EVA, which provide real-time responses to customer inquiries. Similarly, credit approval processes have undergone radical reengineering, shifting from manual verification to AI-driven credit scoring models, reducing loan approval time from weeks to a matter of minutes. Moreover, fraud detection has been enhanced through real-time transaction monitoring systems, which use machine learning to identify suspicious activities and prevent financial crimes.

In conclusion, Business Process Reengineering has reshaped the banking industry by enabling digital transformation, improving operational efficiency, and enhancing customer experience. By rethinking traditional workflows, leveraging concurrent reengineering, and integrating industrial engineering principles, banks have successfully reduced operational costs, improved compliance, and gained competitive advantage. Strategic alignment of BPR with corporate goals ensures that banks remain agile in the face of technological advancements and regulatory changes. While challenges such as employee resistance and high initial implementation costs exist, the long-term benefits of BPR in banking, such as process automation, fraud reduction, and customer satisfaction, outweigh these obstacles.

Case Discussion Questions

Q1. ***(5 Marks Each)***

a) Explain how Business Process Reengineering (BPR) has transformed customer service operations in the banking industry. Provide examples from major banks.

b) Discuss the role of Artificial Intelligence (AI) and automation in BPR initiatives for credit risk assessment in banks.

Q2. ***(5 Marks Each)***

a) How does concurrent reengineering improve the efficiency of digital banking services? Discuss with reference to a specific bank case.

b) What are the strategic advantages of implementing BPR in banking? Explain with examples of how leading banks have leveraged BPR for competitive advantage.