

## Effectiveness Of Business Process Re-Engineering In Banking With Reference To Hdfc Bank

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### ABSTRACT

Business process reengineering seeks to dramatically increase reliability, runtimes, and efficiency by progressively redesigning such systems. When businesses start re-engineering processes to drive more value to the consumer, they start from a clean slate. The present study has focused on the effectiveness of business process re-engineering in banking segment. The study has collected the primary data with the convenient sampling method. The study applied the discriminant analysis and the result indicated that “Reduce process time and improves the service quality” and through BRP, infrastructure facilities are upgraded according the current market scenario. The study also examined the problems experienced by the bankers in implementing the BPRE with the factor analysis and the result stated that employee are facing a lot of problem like Non availability of adequate resources, Increase in financial expenses, lack of training for new process. The study also found Machine Failure, Limit access in Process are some more problem which are faced by the employee while Re-engineering process.

**Keywords:** BPRE, Efficiency, Effectiveness level, Process Time and organizational growth.

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### INTRODUCTION

Businesses must adapt their organisational procedures in order to keep up with quickly increasing markets, knowledge, and awareness in order to be successful on a global scale. People presently have more access to information and expertise, which has prompted many banks, particularly in developing nations, to enhance the quality of their customer service while simultaneously reducing operational costs and increasing profitability and profitability.

The current market environment puts pressure on firms as customers seek cheaper pricing while also expecting higher-quality amenities. Rather of focusing just on lowering operational expenses, organisations should focus their efforts on providing better and more distinctive services to attract new consumers and maintain current ones. Organizations have been pushed to adjust their policies and capabilities as a result of fast technology advancements. In order to increase their profitability, effectiveness, and attractiveness, banks have been acquiring and combining companies for many years.

To better fulfill the demands of their clients, organisations are taking steps to improve and diversify the services they provide them in a variety of ways. Businesses that want to survive and thrive in the long term rely on pleased and loyal consumers to succeed. Combining resources, talents, and capabilities, as well as streamlining processes and gaining market access, may be accomplished via mergers and acquisitions. They can also help companies satisfy worldwide requirements. The stage during which a company is operating Reengineering is also crucial, and firms are increasingly using it to boost productivity, increase profits, and compete in today's market place.

Businesses engage in business process reengineering to achieve significant and persistent gains in efficiency, cost, operation, lead time, flexibility, and innovation (BPR). BPR is concerned with the whole process, from the conception of the product through the final design. With the use of sophisticated information technology, it is feasible to reengineer a method or to significantly minimise the number of actions necessary to accomplish the process (IT). It is more accurate to describe BPR as a "transformation" than a "shift" since it transforms the underlying rhythm and character of the organisation.

Business environment changes are largely caused by the economic crisis, changes in consumer demand and supply patterns, and other factors. Moreover, competition, globalisation, and information technology have all resulted in dramatic shifts in the business climate, with customers' tastes and preferences, as well as their perceptions and perceptions of others, playing an important role in the transition process as the market has changed from a seller's market to a buyer's market, as shown in the chart below. Furthermore, banks that have experienced substantial transformations in recent years may be found in abundance in the market arena of service delivery industries such as financial services. As a result of all of these events, the banking sector must begin conceptualising new, less expensive, and more efficient methods of doing business in order to stay viable. It is believed that the emphasis is now on business processes from this perspective. The re-engineering of banks to increase operational efficiency through High-tech banking, which uses information technology to revolutionise relationships

between customers and financial institutions, and the adaptation of financial institutions to challenges such as a globalised market, a diverse clientele, and the repositioning of financial institutions to meet and exceed consumer demands for fast funds movement around the world. A continual process of screening and re-engineering is used to attain excellence in customer service delivery, rather than a one-time method. BPR is not a one-time strategy. The current research is concerned with the efficacy of business process reengineering (BPR) in the banking industry.

## REVIEW OF LITERATURE

**Roger Maul (1994)** The purpose of this research is to determine the current level of awareness in the subject of business process reengineering (BPR). The differences between reengineering and other change programmes, as well as business process reengineering (BPR), are highlighted. Develops a broad approach to business process outsourcing (BPO) and explores the outcomes of applying this method to the bank. This study's findings examine the usefulness of the ICAM definition technique in supporting businesses in the implementation of business process reengineering programmes.

**Adeyemi (2008)** The purpose of this article is to investigate the influence of business process reengineering on organisational productivity, as well as to explore how business process reengineering might assist organisations in implementing creative and strategic improvements in their operations. The material for this research was gathered from a primary source and analysed using basic percentage analysis and regression analysis techniques, respectively. Conclusion: Business process reengineering has shown to be an effective way for improving existing operational performance while simultaneously executing a cost leadership strategy in the company's operating industry and environment, according to the study.

**Khuzaimah (2011)** The objective of this article is to assess the impact of business process reengineering on organisational productivity and to explore how Business Process Reengineering may support organisations in making innovative and strategic shifts. It was determined that the data originated from a primary source, and it was analysed using simple percentage and regression analysis techniques. In the end of the article, it is said that Business Process Reengineering has emerged as a desirable technique for every business organisation attempting to improve organisational performance while also achieving cost leadership in its sector and environment.

**Benjamin Amanquah (2013)** The study focused on the Ghana Commercial Bank Limited personnel were surveyed using a descriptive study design approach and structured questionnaires. The study to assess

the impact of information technology and human resources in the reengineering process, the bank expanded its IT investment, which resulted in improved operational revenues. Despite management's complete commitment to the BPR process, the bank's workers were not fully engaged owing to communication obstacles, and the bank did not fully comprehend the expected advantages.

**Bassam Hussein et al (2014)**In response to this critique, this article proposes a framework that comprises crucial characteristics that must be included in every BPR campaign in order for it to be successful. Along with providing executives with a practical guide to reference when initiating, organising, executing, and managing the numerous tasks required to accomplish a reengineering project. The study also defines and discusses the following major BPR success factors: 1) Wide-ranging organisational engagement, 2) BPR team composition, 3) company requirements assessment, 4) enough IT infrastructure, 5) effective change management, and 6) continuous quality improvement

**Archana Acharya (2015)**The goal of the study was to discover what factors influence BPR performance at Kenya Commercial Bank (KCB). A descriptive and inferential design was used in this study. The success of BPR projects at KCB Ltd is influenced by management commitment, change communication, process and system management, monitoring, and evaluation. Monitoring and evaluation have an impact on BPR by altering the kind of support and participation in plan development. According to the research, businesses can effectively communicate change to maximise project outcomes and effectively prepare their organisations for change.

**Osano. H (2015)**The goal of the study was to discover what factors influence BPR performance at Kenya Commercial Bank (KCB). A descriptive and inferential design was used in this study. The success of BPR projects at KCB Ltd is influenced by management commitment, change communication, process and system management, monitoring, and evaluation. Monitoring and evaluation have an impact on BPR by altering the kind of support and participation in plan development. According to the research, businesses can effectively communicate change to maximise project outcomes and effectively prepare their organisations for change.

**Forbes Makudza et al (2019)**The study examined the factors that influence BPR adoption in the banking industry, as well as customer satisfaction. In a research conceptual model, four BPR implementation criteria were compared to Customer Satisfaction. Change culture, information infrastructure, employee participation, and financial resources all play a role in effective BPR implementation. It showed a number of significant roadblocks to effective BPR implementation in Zimbabwean banks. According to the report, BPR adoption resulted in 47 percent customer satisfaction. To improve customer service and

happiness, the banking sector was pushed to embrace an agile culture, examine financial investment plans, and replace IT infrastructure and software.

**Chiara CN Abednego (2020)** The goal of this research is to increase the efficiency of a state-owned bank's transaction refund system in Indonesia. The operational and transactional departments of Bank X do not currently share an information system. As a result, the simulation results in a total cycle time of 66.28 minutes, with a 7.5-minute wait time. Bank X's operational and transactional divisions will need an integrated information system as part of the upcoming process overhaul. The to-be phase lasts an average of 18.78 minutes and has a 71.67 percent success rate.

**FalahSaleem Falih et al (2020)** This study's purpose is to suggest business process re-engineering utilising operational risk management to increase competitive advantage in the Iraqi banking industry. The PLS route analysis findings help factors predict their competitive advantage. It tries to bridge the risk management, process reengineering, and competitive advantage divides. The paper makes numerous recommendations to help academics, politicians, and managers improve their organisations' competitiveness in the future.

## **OBJECTIVES OF THE STUDY**

1. To study the effectiveness of business process re-engineering in banking sector
2. To devise the problems of business process re-engineering and measures to improve the banking sector performance.

## **SCOPE OF THE STUDY**

The current research has concentrated on business process re-engineering in the banking industry. The state bank of India, which is based in Hyderabad, was taken into consideration for this research. The participants in the research were banking workers with a minimum of three years of experience in their current position. This research examines the success of business process re-engineering as well as the difficulties that banks have encountered in implementing business process re-engineering.

## **RESEARCH METHODOLOGY**

The qualitative research approach was used in this study, which was supported by primary data. The main data were gathered directly from the staff of HDFC BANK's technology department via a well-planned interview schedule, which was followed closely. For the purposes of analysis, only completely

completed schedules were taken into consideration, and incomplete and erroneous schedules were eliminated.

### **Sampling Design**

The study applied the convenient sampling method for the collection of primary data. The study collected the primary data from the 90 respondents, who are working in central processing cell (i.e. CPC).

**Questionnaire structure:** The study framed the 5 pointlikert scale oriented questionnaire relating to the effectiveness of BPRE in banking and problems in implementing BPRE.

### **Frame work of analysis and Statistical tools**

Using the SPSS software programme, we were able to do the following tasks: data processing, categorization, tabulation, analysis, and interpretation. Following are some of the statistical approaches that were used, which were chosen based on the type of the data obtained from the respondents. The following statistical tools were used for the purpose of evaluating the data gathered throughout the study, with each instrument being chosen based on the relevance of its application: Using the discriminant analysis and exploratory component analysis, we may look at the framed goals in further detail.

### **TABULATION OF DATA ANALYSIS**

#### **Objective – 1: To study the effectiveness of business process re-engineering in banking sector**

The study focused on the effectiveness of business process re-engineering in banking. The study has considered the process efficiency segment parameters and applied the discriminant analysis. The result of the study as follows,

**Table-1 Effectiveness level of Re-engineering process in Banking**

Parameters	Function
Increases Efficiency	.428
Improves the service quality	.851

Rectification of errors is easy	.347
Better market infrastructure	.594
Reduce process time	.994
Implementing reliable techniques to control risk	.207
Broader responsibility and rewarding jobs	.255

The study explains about the Effectiveness levels with respect to Re-engineering process in banking. The results determines that the highest Effectiveness level is for the statement “Reduce process time” with 0.994 discriminant score meaning that Re-engineering process reduces the process time of transactions with respect to banking. Whereas, next effectiveness is observed with the variable “Improves the service quality” with discriminant score of 0.851. The next statement with the higher score is “Better market infrastructure” with the score 0.594 witnessing that it inculcates Better market infrastructure with re-engineering process. The effectiveness levels of statement “Increases Efficiency” discriminant score is tend to be 0.428. The discriminatory score for “Broader responsibility and rewarding jobs, Implementing reliable techniques to control risk” is 0.255 and 0.207 respectively. The statement “Rectification of errors is easy” is observed effectiveness of -0.347 discriminant score. The study concludes that the effectiveness levels from the respondents is observed to be reduction in process time with respect to re-engineering process in banking.

**Objective -2: To devise the problems of business process re-engineering and measures to improve the banking sector performance.**

This section identifies the measure to improve the role of Business Process Re-engineering in banking sector. Exploratory Factor Analysis is a statistical tool is applied. Below table represents the Factor Analysis as follows

**Kaiser-Meyer-Olkin:** The Measure of Sampling Adequacy and the Bartlett's Test of Sphericity are used to determine the sample adequacy of data that was evaluated in the research, which outlines the major challenges encountered by employees in the course of conducting business. The findings of the study are displayed in the table below.

**Table – 2: Sample Adequacy test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.835
Bartlett's Test of Sphericity	Approx. Chi-Square	1137.505
	df	78
	Sig.	.000

Source: Field data

The estimated result of the KMO test is 0.835, which is higher than the recommended threshold (0.70), indicating that the data sample was appropriate. Furthermore, Bartlett's test of sphericity demonstrates that the chi square computed value is larger than the critical value, which suggests that the data is statistically significant. As a result, the segments investigated in the research were found to be valid for Factor Analysis, which was confirmed.

**Table – 3: Communalities**

	Initial	Extraction
Lack of computers knowledge	1.000	.614
Frequent electricity disturbances	1.000	.671
Machine failures	1.000	.756
Requires training for new process	1.000	.765
Lack of Customer relationship	1.000	.756
Reduction of staff	1.000	.770
No proper maintenance of processes	1.000	.679
Difficult to implement in short term	1.000	.599
Non availability of adequate resources	1.000	.772
Increase in financial expenses	1.000	.766
Risk of failure	1.000	.777
Unfavourableorganisational environment	1.000	.582
Limiting of process after reaching benchmark	1.000	.692
Extraction Method: Principal Component Analysis.		

Source: Field data



Table illustrates the Problems caused by Business Process Re-Engineering in Banking sector the analysis defines the critical problems faced by the Banking sector Employees by adopting Business Process Re-Engineering in order to increase efficiency, customer friendly, cost cutting, decreasing queue time etc., under Problems caused by business Process Re-Engineering “Risk of failure” had contribute high with 77.7% followed by “Non availability of adequate resources” (77.2%).Whereas the other factors which do not have strong relation to improve Banking Process Re-Engineering and lowest among them is “Unfavourableorganisational environment (58.2%)”.

**Table – 4: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.150	47.305	47.305	6.150	47.305	47.305
2	1.791	13.781	61.085	1.791	13.781	61.085
3	1.258	9.676	70.762	1.258	9.676	70.762
4	.905	6.961	77.722			
5	.848	6.524	84.246			
6	.505	3.881	88.127			
7	.447	3.441	91.568			
8	.331	2.548	94.116			
9	.235	1.807	95.923			
10	.204	1.567	97.490			
11	.125	.963	98.454			
12	.123	.946	99.400			
13	.078	.600	100.000			
Extraction Method: Principal Component Analysis.						

Source: Field data

Table illustrates the variance analysis extracted from principal component analysis. Result signifies, out of Thirteen components, three high loading factor components had been extracted. It indicates that component 1 consists of Eigen value with 6.150 which is able to explain variance has 47.305%. Similarly,

component 2, and 3 Eigen value seems to be greater than '1' that are able to explain with respective variance of 13.781% and 9.676%. Therefore, overall contributed by these factors is 70.762%.

**Table -5: Exploratory Factor Analysis**

	Component		
	1	2	3
Non availability of adequate resources	0.798		
Increase in financial expenses	0.787		
Risk of failure	0.788		
Reduction of staff	0.788		
Requires training for new process	0.766		
Difficult to implement in short term		0.763	
No proper maintenance of processes		0.747	
Lack of Customer relationship		0.718	
Lack of computers knowledge		0.702	
Frequent electricity disturbances			0.681
Machine failures			0.658
Unfavourableorganisational environment			0.612
Limiting of process after reaching benchmark			0.634
Extraction Method: Principal Component Analysis.			

Source: Field data

From the above table, the study observed that, under the segment **Component 1**, Non availability of adequate resources has been considered high loading factor with 0.798, which means it is an important factor that impact the Business Process Re-Engineering in Banking Sector. Whereas, Risk of failure, Reduction of staff, Increase in financial expenses, Requires training for new process have respective factor values 0.788, 0.788, 0.787, 0.766 which are scored accordingly and by implementing these factors we can improve the Business Process Re-Engineering in Banking Sector.

Under the segment **Component 2**, Difficult to implement in short term, No proper maintenance of processes, Lack of Customer relationship and Lack of computers knowledge have respective factor values of 0.763, 0.747, 0.718 and 0.702. By implementing these factors we can improve the Business Process Re-Engineering in Banking Sector.

Under the **Component 3** the study resulted “Frequent electricity disturbances”, “Machine failures”, “Unfavourable Organisational environment” and “Limiting of process after reaching benchmark” with the loading factor with 0.681, 0.658, 0.612 and 0.634 score. Which means that by controlling electricity disturbances and failures the Banking Process Re-Engineering in Banking Sector will work more efficiently without causing problems.

### **FINDING OF THE STUDY**

The study examined the two objectives with the statistical methods and the based on the results the following are the findings have been derived.

1. The study synchronized from discriminant analysis that, Reduce process time and Improve the service quality are found to be highly discriminant. It also states that, Employee felt that Business re-engineering process had reduce the process time in cross border transaction and Peer to Peer to transaction.
2. It states that business re-engineering process had increase efficiency among the customer services and also indicates, through BRP, infrastructure facilities are upgraded according the current market scenario.
3. The study reveals that, In Business Re-engineering process, employee are facing a lot of problem like Non availability of adequate resources, Increase in financial expenses, lack of training for new process. This finding is validate by **Shailesh Kumar (2011)**, **Sanjeev Kumar (2016)**.
4. The study also reports that, lack of proper maintenance, Lack of customer relation and Lack of computer knowledge are also found to be the problem faced by the banking employee while Business Re-engineering process.
5. Machine Failure, Limit access in Process are some more problem which are faced by the employee while Re-engineering process.

### **CONCLUSION OF THE STUDY**

The present study has focused on the business process re-engineering in banking sector. The study has adopted the qualitative research approach with the support of primary data. The study applied the convenience sampling method and collected the primary data through the drafted questionnaire. The study examined the effectiveness of BPRE in banking with the statistical method of discriminant analysis and the result indicated that “Reduce process time and Improves the service quality” and through BRP, infrastructure facilities are upgraded according the current market scenario. The study also examined

the problems experienced by the bankers in implementing the BPRE with the factor analysis and the result stated that employee are facing a lot of problem like Non availability of adequate resources, Increase in financial expenses, lack of training for new process. The study also found Machine Failure, Limit access in Process are some more problem which are faced by the employee while Re-engineering process.

**Further Research Scope:** The present study has focused on the BPRE in HDFC bank. The study suggests to know the impact of BPRE on the service quality in B2B segment. The study also suggests to focus on the comparison of effectiveness of BPRE implementation in Public and Private sector banks.

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