

IDBI Bank Automates Budgeting, Produces Daily Asset Liability Management Reports



IDBI Bank Ltd
Mumbai, India
www.idbibank.com

Industry:
Financial Services

Annual Revenue:
US\$3.9 billion

Employees:
12,200

Oracle Products & Services:

Oracle Risk Manager
Oracle Hyperion Planning

Implementor
Oracle Consulting

“Oracle Risk Manager and Oracle Hyperion Planning have improved our asset liability management and planning process, allowing us to better control risks and improve profitability.”

– P. Sitaram, CFO, IDBI Bank

IDBI Bank (previously Industrial Development Bank of India) was established in 1964 by the Government of India to provide credit and other facilities for the development of industries. In line with reforms in the Indian financial sector and to meet emerging post-reform challenges, IDBI transformed from a development finance institution into a fully-fledged commercial bank in 2004.

IDBI Bank has a network of 722 branches, and 1,210 ATMs across India, and it recently opened an overseas branch as part of an international expansion plan. The bank offers a range of retail, corporate, international banking, treasury management, merchant, and investment banking products. In 2008, it was restructured into several customer-focused business units to streamline processes and improve customer service.

Following the restructure, IDBI Bank needed a robust system so that managers could monitor earnings from each of its products, lines of business, and branches to determine where resources should be allocated. This would help maintain its growth and improve profitability.

The bank implemented the system in two phases. In 2008, it deployed a performance management system, which included Oracle Transfer Pricing, Oracle Transfer Pricing Online, Oracle Profitability Manager, and Oracle Business Intelligence Suite Enterprise Edition Plus. This system enabled the bank to better assess the performance of each business unit and product, and take corrective action if it was not achieving adequate growth and profit targets.

In 2009, IDBI Bank engaged Oracle Consulting to deploy Oracle Risk Manager and Oracle Hyperion Planning, to analyze interest and liquidity risks, automate budgeting and planning process and maximize the bank’s risk-adjusted returns.

Key Benefits:

- Enabled the bank to assess its liquidity and interest rate risks on a daily basis, which helped assess risk and protect profitability
- Improved the ability to measure the impact of an interest or foreign exchange rate change on net interest income and economic value
- Allowed managers to set sales targets for each bank branch; analyze profitability across each branch, vertical market and product; and complete branch performance assessments
- Enabled managers to automatically determine which products are generating the highest profits
- Allowed assessing the profitability of branches and vertical markets that they target, which enabled managers to better allocate staff in each location, and determine which activities will generate profits in the future
- Reduced the time it took for managers to produce earnings reports from two to three days to one to two hours

“Oracle Risk Manager and Oracle Hyperion Planning have improved our asset liability management and planning process, allowing us to better control risks and improve profitability,” said P. Sitaram, CFO, IDBI Bank.

Automated Liquidity and Rate Risk Measurements

IDBI Bank uses Oracle Risk Manager to assess its liquidity and interest rate risks on a day-to-day basis, which helps the company decide where to best allocate funds.

The application enables bank managers and analysts to measure the impact of interest or foreign exchange rate changes on its net interest income and economic value.

“Oracle Risk Manager enables us to do advanced analysis of our assets and liabilities, assess the impact of liquidity and interest rate risks on the bank’s net interest income (NII), and assess the economic value of equity under various interest rate scenarios,” said Ishwar Padhan, general manager, Balance Sheet Management Group, IDBI Bank. “Our NII is analyzed from our existing balance sheet and from business growth across all product lines.

“The system also enables us to generate key information, such as our average cost and financial return across products and lines of business. This makes it easier for our managers to make better business decisions.

“Oracle Risk Manager has enabled IDBI Bank to become the first public sector bank in India to generate asset liability management reports on a daily basis.”

Streamlined Budgeting and Planning

IDBI Bank uses Oracle Hyperion Planning to create budgets and rolling forecasts, which are linked to its balance sheet and profit and loss models. Managers use the tool to set sales targets for each bank branch, line of business, and product. They can then analyze variances across each of these areas to complete branch performance assessments.

“We now have a common language to assess all areas of the business,” said Anirudh Behera, deputy general manager, Budget and Planning Group, IDBI Bank. “We can set business targets using the same metrics as we use to measure performance, and plan our annual budget accordingly.

“Managers can now access and analyze a range of information that helps them determine exactly what is happening at their branch, so they can better allocate resources at each location in line with their objectives. This helps build an organization where the goals of each branch, line of business, and product can be aligned with the bank’s strategic objectives.”

Integrated Approach Delivers Greater Control

Oracle Hyperion Planning is integrated with Oracle Risk Manager and other Oracle tools used by the bank—including Oracle Transfer Pricing and Oracle Profitability Manager—to create bucketed run-offs, bucketed interest and transfer rates, and to allocate expenses across each business unit, product, and branch. This helps the bank complete the budgeting process and generate rolling sales forecasts.

Forecasted growth rates are then fed into Oracle Risk Manager to analyze the impact of interest rate and liquidity risk on the bank’s profitability.

Oracle Transfer Pricing enables the bank to measure its NII contribution from assets and liabilities based on a benchmark reference curve. The solution allows staff to dissect NII contributions and assets and liabilities separately, and it analyzes these results by lines of business, products, customers, and branches.

Oracle Profitability Manager is used to allocate costs related to the bank’s product lines, lines of business, and branches.

“Managers can produce earnings reports in one to two hours compared to two to three days previously because data is coming from a single source,” said Sitaram.

Why Oracle?

IDBI Bank felt that the functionality offered by Oracle Risk Manager and Oracle Hyperion Planning was well suited to its business. “Our previous experience working with Oracle Consulting convinced us that, based on their demonstrated knowledge and skills, we should engage them again for this project,” said P. Sitaram.

“Oracle has also successfully implemented these applications at other top-tier banks in India, which gave us even more confidence,” said Padhan.

Implementation Process

In July 2009, Oracle Consulting began rolling out Oracle Risk Manager and Oracle Hyperion Planning at IDBI Bank.

According to Devendra Hedao, associate consultant, IBDI Intech, (the IT services arm of IDBI Bank), the data extraction, system integration and testing went well, as Oracle Consulting had already worked with the bank, so they understood the bank's infrastructure.

“The Oracle implementation team, user teams and IT teams worked closely under the overall supervision of a steering committee to ensure that the project's deadlines were met and implementation was successfully completed”, said Sanjay Sharma, IT advisor, IDBI Bank.

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