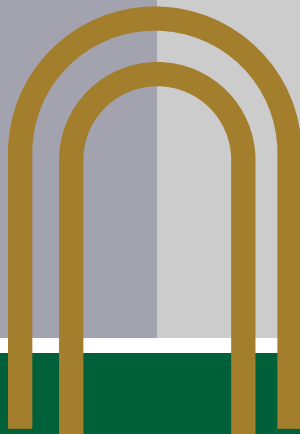


# HOW PROCESS AUTOMATION AFFECTS FINANCIAL INSTITUTIONS

A look at the use of Robotic Process Automation in banking.

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## Abstract

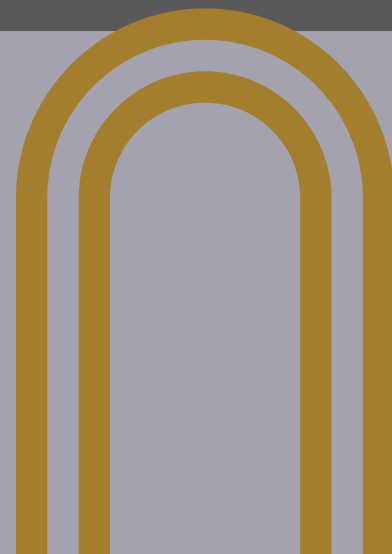
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The use of process automation (PA) by financial institutions (FIs) gives a better experience for both employees and customers. By increasing efficiency, PA allows employees to decrease their workloads. The quality of work completed by employees improves, creating a better customer experience. A higher quality output helps decrease the risk of fraud, increases compliance, and provides more time for employees to spend with the customer. This in turn increases the trust between banks and bank customers. PA also allows FIs to adapt over time, creating better scalability of their processes. Overall, this adaptability reduces costs. This paper explores the effects of using automation in banking. Specifically, this paper outlines the benefits of Robotic Process Automation (RPA) as seen in banking.

## Why is Process Automation Used in Banking?

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As technology advances, FIs face the challenge of keeping consistent workflows and keeping up customer security and satisfaction. FIs use processes that involve repetitive tasks. This continuous repetition makes FIs ideal candidates for automating their processes. Automating regular processes used daily in banking improves the banking experience for employees and customers. Automation is transforming the financial industry by increasing efficiency and allowing banks to create better experiences for their customers.



## Background Information

There are two types of process automation – Business Process Automation (BPA) and Robotic Process Automation (RPA). BPA allows institutions to “simplify complex tasks, eliminate redundant activities, enhance service quality, and reduce overall operating costs.” Financial institutions (FIs) use BPA to improve the quality and accuracy of workloads. RPA enables BPA by taking these processes and creating software to enable this automation. This software then mimics human work, taking jobs traditionally performed manually by employees and automatically completing them. Automation enhances employees work and does not replace them entirely.

The use of process automation is reshaping the banking industry. Figure 1 shows the different areas automation benefits FIs.



Figure 1: Benefits RPA has on FIs. Bulatovych, Daria. Robotic process automation in banking: improve and speed up your operational management. Yalantis, n.d.  
<https://yalantis.com/blog/rpa-adoption-benefits-for-banking/>

## Increasing Efficiency

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FIs increase their efficiency in back-end processing and front-facing customer interactions by automating processes. Automation speeds up processes and decreases manual work. Employees have lighter workloads. Lighter workloads allow for better quality and accuracy of their work.

With the constant changes and updates FIs undergo, process automation allows them to accurately respond to these changes. Traditional processes are time-consuming and are at risk to human error, creating more work for employees.

## Speeding Up Operations

Traditionally, employees at FIs work on routine, repetitive tasks daily. PA reduces the time employees spend on these tasks. Automating these processes optimizes employee's workdays. Employees can now focus on "high-value tasks that require complex decision-making and problem-solving," over simple repetitive tasks. Introducing automation software to regular processing gives employees more time to focus on tasks that require more attention.

## Decreasing Workloads

Instead of employees spending multiple hours to multiple days completing one task, automation reduces these workloads. Process automation makes workloads more manageable by reducing the need to manually process information. Reducing workloads allows you to ensure that the work completed is the highest quality. Employees do not need to rush through their work to maximize their time.

Employees benefit as well. With smaller workloads comes lower stress levels. Less stress leads to better efficiency and accuracy of your work. Ultimately, lowering risk of manual errors.

## Improving Accuracy and Work Quality

Automation improves the accuracy and quality of work. A process running automatically removes the risk of manual errors. Improving the accuracy of work, allows employees to ensure they are effectively following compliance and risk management regulations.

Humans are not perfect. We cannot ensure our lack of error when completing work. By introducing process automation into FIs, we are removing the risk of manual human error. These errors have serious implications on not only the FI's operation, but on customers as well. For example, when closing out a customer transaction the employee may incorrectly balance the transactions manually. This error may result in a loss of funds for the customer or the bank. With an automated balancing process, employees do not run the risk of incorrectly balancing out a customer transaction. The software automatically balances all transactions instead.

Process automation increases the accuracy of procedures mitigating the risks associated with human error. By introducing process automation, we reduce the risk of employees making an error performing processes. This increases the accuracy of the work outputs, helping both the institution and their customers.



## Creating Better Scalability

Scalability refers to the ability of programs and processes to change with the financial industry. There are limitations to traditional software, making it difficult for FIs to scale and adapt to changes. Automating processes allow for change and improvement to programs without spending time having to rework these functions. Therefore, process automation enables FIs to improve as time goes on.

## Reducing Costs

PA helps FIs by reducing costs. As workloads decrease, the amount of time needed to complete tasks also decrease, lowering operational costs. Maxima Consulting notes that by using PA, FIs can “eliminate up to 90% of their operational costs”. Multiple procedures see this cost reduction. PA can also reduce customer costs. Automated processes like internet banking allow customers to perform some of their own banking needs without having to attend an institution in person. Cost reduction in this sense is important, as more funds go towards creating better ways to personally market towards customers needs. Automation is the simplest and most cost-effective way to process back-end work such as document processing and customer-related checks.





## Improving Security

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PA limits the need to manually audit security risks. Automation adds the ability to automate fraud detection. This adaptation effectively reduces the risk of potentially fraudulent activity. PA highly supports security by tracking suspicious activities. Automating fraud detection improves the trust individuals have with their FIs.

## Removing Risk of Fraud

Fraudulent activity is a major pain-point in the financial industry. Automating processes allows for better security management by minimizing manual processes. Limiting the number of processes performed manually protects customers and their information from fraudsters. This improved security creates an increased trust between banks and bank customers.

Removing the risk of fraud allows for customers to have a better experience. Employees also have an easier time ensuring their work is accurately following security rules and regulations. In conclusion, PA creates a safer environment for employees to accurately detect fraud and improves the trust customer's have with their FIs.

## Compliance and Risk Management

FIs have many rules and regulations they must follow. Automation allows you to track information and audit it for compliance and risk management observation. Therefore, the risk of being non-compliant and adding to high-risk situations reduces. Automated processes specifically follow compliance and risk management regulations manual processes may miss. These processes effectively work to ensure the security of information.

## Improving the Customer Experience

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A major use of PA is to improve the customer's experience. Internet banking is an example of automation used for the customer's benefit. However, not all automation is as new age as internet banking.

You also see the introduction of automation to perform simple transactions. For example, with automation you can easily type in a number and select a button to perform a withdrawal. Without automation that process involves manually filling in the account information to complete the transaction (a more time-consuming task).

Using PA allows employees to have more time getting to know their customers. Allowing you to tailor service to the customer's specific needs. Tailoring service to individuals helps deliver quality service.

Automation also improves service quality by creating shorter wait times, having processes readily available, decreasing the need to attend in-person banking, and using real-time banking. For example, PA allows for better Know Your Customer (KYC) procedures. These procedures process customer information such as identity information and background checks.

Employees complete KYC procedures when a customer wants to obtain a new product from a FI or access their financial information. Due to the frequency of these procedures, they are extremely time consuming and expensive when done manually. By introducing PA into these procedures, software creates "a centralized network of information from which it pulls information about customers easily."

Automated services such as online banking apps and AI assisted budgeting tools provide customers with quicker access to get their banking done in real-time. This access creates a better experience for customers, since their need to attend banks decreases. Being able to complete your banking activities from the comfort of your home creates a huge convenience. Through PA, FIs create an environment where quality service is the standard.

## Conclusion

Automating traditionally manual processes improves the quality, accuracy, and work done by employees. Through creating a trusted environment between banks and bank customers, we see an improved delivery of service. PA reduces costs on FIs by reducing the amount of manual work done by employees, and allowing customers to have access to real-time banking wherever they are. Overall, we can see that PA positively affects FIs.

### Key Takeaways

- Automation improves the customer experience.
- Automation improves risks to information security.
- Automation increases work efficiency and quality, overall improving employee's experience.

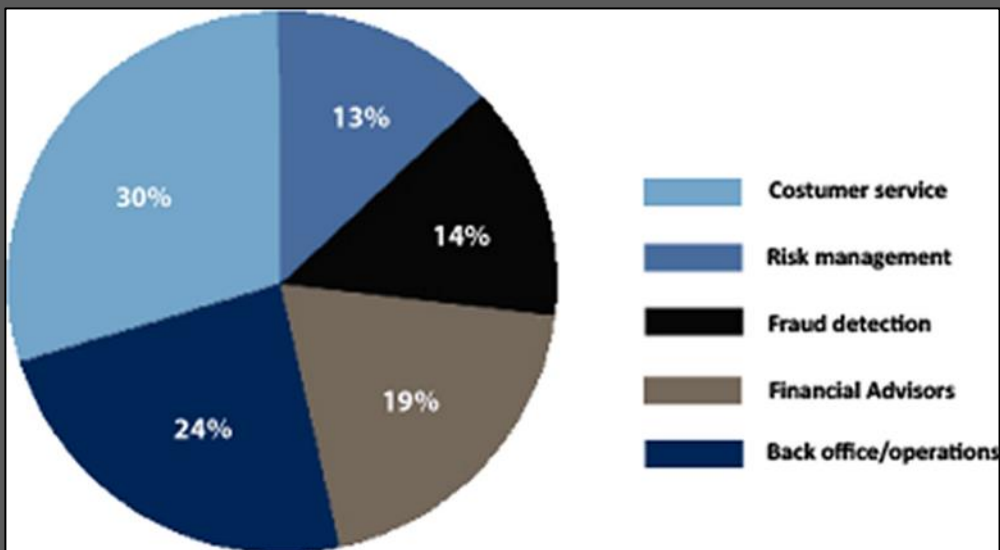


Figure 2: Improved sectors of the financial industry due to automation. Villar, Alice Saldanha, and Nawaz Khan. "Robotic process automation in banking industry: a case study on Deutsche Bank." Journal of Banking and Financial Technology 5.1 (2021): 71-86.

