Why Banks should track these 3 KPI's

Banks have altered their strategies and begin cost cutting measures in order to remain sustainable post Covid-19. The Bank as an institution will continue to exist in the short term however the long term is bound to see changes in how banks and banking services are configured and offered to customers.

Executives and Managers in Banks need to start figuring out how key banking ratios and performance indicators are going to be affected. One way of doing this is to focus on the most common KPI's in Banking.

Revenue in banks is classified as deposit interest, loan interest, service fees, and transaction fees. The particular area of ***revenue growth*** that is going to be affected by external shocks and changes due to reduced demand for banking services should be monitored. New Bank deposits and their attendant service and transaction fees is one area to look into. Are the risk averse individuals going to start opening accounts for fear of leaving their money in a room somewhere or are they going to withdraw their savings to liquid form to make sure they have something for immediate use? How will treasury liquidity, FX risk management and funding be affected in the short term?
Net interest income is more annuity like and might not show short term stress however income from cross selling might be impacted.

The ***Loans Outstanding per Loan Officer*** is a KPI that will come under scrutiny. This KPI is used to measure the division between the total shillings amount of loans managed, also known as "outstanding" loans, by the bank at a certain point in time and the number of loan officers working for the bank. It helps the bank know if it has too many loan officers and if the Bank is not managing enough loans per loan officer. How is the Banks loan portfolio performing during this period?
If the value of KPI is low it might suggest that there is not enough demand for loans, complex loan application processes or even low productivity and performance of credit officers. At the end of March 2020 Bloomberg reported that China consumer loans had come under pressure.

Another important indicator to look into is the ***revenue per staff***. This is the total shilling value of revenue being managed by the bank divided by the number of employees. This is an HR-related measure that helps analyze workload. If the value of the KPI is high and remains so during the pandemic when certain measures have been put in place limiting employee availability in the offices it could suggest that the productivity of the bank is in the hands of a few employees or that the external shock is not having as strong an impact on the bank. With working at home being adopted and the move to digital and online banking for customers, it is going to be interesting to see how digital adoption affects staff utilisation and numbers. The effect on employee engagement has been positive so far with the rise of the Chief Empathy Officer.

The KPI discipline is important as it allows managers and executives to drill down into the data to identify patterns and trends and be able to draw conclusions that will help in decision-making and strategy implementation.

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