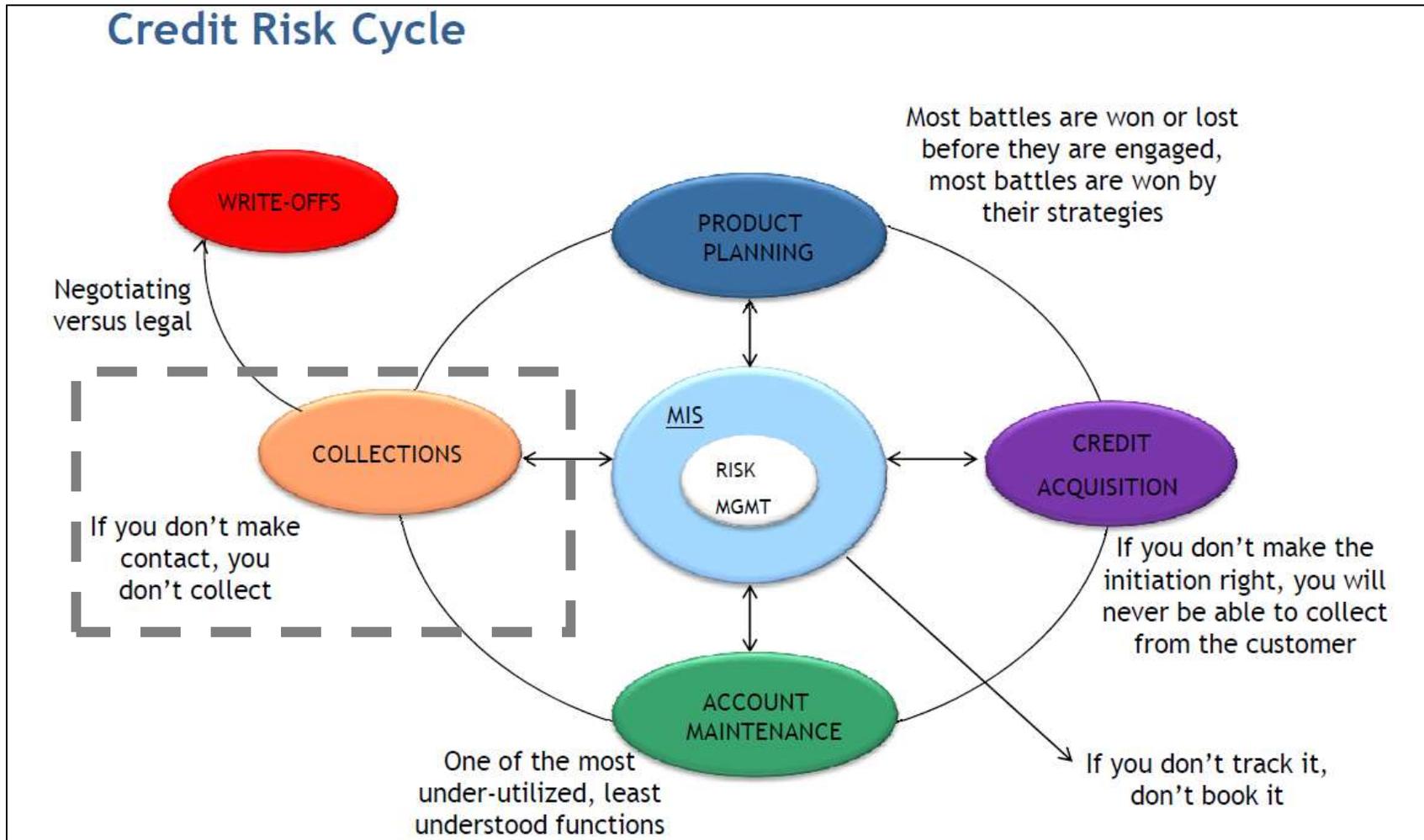# SME FINANCE
FORUM

Webinar: How to Develop an Effective SME Collections Strategy - Learning from Successful Banks

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Collections is an integral part of the SME Credit Cycle

Credit Risk Cycle

WRITE-OFFS

PRODUCT PLANNING

Most battles are won or lost before they are engaged, most battles are won by their strategies

Negotiating versus legal

MIS

RISK MGMT

COLLECTIONS

CREDIT ACQUISITION

If you don't make contact, you don't collect

If you don't make the initiation right, you will never be able to collect from the customer

ACCOUNT MAINTENANCE

One of the most under-utilized, least understood functions

If you don't track it, don't book it

Banks need strong collections systems/strategies for SMEs

Best Practice learnings & recommendations

1. Develop dedicated **collections function** for SME's from 30 dpd (days past due)

2. Utilize a common approach Collections with set **strategy, policy, objectives, KPI's** etc

3. Develop **comprehensive collections manual**

4. Develop **training collections workshops** and Manual

5. Streamline and customize **collections processes** for SME loans

6. Further development of the **collection system** for SME loans

7. Develop clear **collections policy for product programs** and SME segment as a whole

8. Develop **rescheduling/ refinancing propositions** offering various possibilities for repayment

9. Capture data and **develop modelling capabilities**

10. **Migrate knowledge & lessons learnt** to improve credit initiation and early warning framework

IFC provides advisory to client banks across 6 key functional areas

Key Capabilities	IFC Engagement Key Activities in SME Collections Advisory

1. **Collection Process and Operations**
 	
2. **Collection Strategy**
 	
3. **Organization Structure/Training and Incentives**
 	
4. **Systemic Support**
 	
5. **Vendor Management**
 	
6. **MIS Monitoring and Tracking**
	• Conduct Detailed Collections Review (Processes, System, People) including review of Collection MIS Reporting / Restructuring Unit
	• Develop Collection Strategy and Manuals:
	   • Establish clear guidelines for settlements and debt workout/restructuring
	   • Establish list of EWS
	   • Establish specific KPIs and evaluate progress and efficiency based on KPIs
	   • Develop collections strategies based on the product, amount and delinquency
	• Identify Collections teams and advise on Collections Organization Structure
	• Incentives – Design an effective bonus scheme for collectors, based on collectability ratios.
	• Collection training for new collection unit
	• Recommendations on automation and collections systems
	• Develop Guidelines for Vendor management(DCA) and vendor management process
	• Establish monthly MIS reporting mechanisms and frameworks

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