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**INFLUENCING FACTORS ON EFFECTIVE DEBT  
COLLECTION PRACTICES OF YOMA BANK**

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# **INFLUENCING FACTORS ON EFFECTIVE DEBT COLLECTION PRACTICES OF YOMA BANK**

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## **ABSTRACT**

The main objectives of the study are to identify the Debt Collection Practices and to evaluate the influencing factors on the effective Debt Collection Practices of Yoma Bank, one of the local private commercial banks in Myanmar. The descriptive survey design was adopted as the research design, and both primary and secondary data are used in this study. The total population of the study was 124 collection personnel from Head Office and all 81 branches of Yoma Bank. A sample size of 88 respondents was selected through simple random sampling method; and the sample represents 71% of the population. The study proposed the four influencing factors on effective debt collection practices: the Collection Policy and Resources for collection, Staff Competence and Reliability, Systems and Technology and Delinquency Management. The study found that Staff Competency & Reliability, Collection Policy and Resources on Policy and Delinquency Management have significant influences on the effective debt collection practices. The study found that Staff Competency and Reliability has the strongest influence on the effective Debt Collection Practices. The bank should provide effective technical and non-technical soft-skills trainings for its personnel to improve their competency & reliability. Regarding the factor Systems and Technology, it can be suggested that more training is needed on the use of systems or to make the system module and processes more user-friendly. As for the Delinquency Management, suggestions for the bank are to get to know more in detail whether it is operationally feasible on a day-to-day basis, to figure out follow-up by automatic system-generated short message service (SMS) as the reminders to delinquent clients' mobile phones and to formulate a procedure and instruction on how to effectively follow-up and put reminders.

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# TABLE OF CONTENTS

	Page
<b>ABSTRACT</b>	<b>i</b>
<b>ACKNOWLEDGEMENTS</b>	<b>ii</b>
<b>TABLE OF CONTENTS</b>	<b>iii</b>
<b>LIST OF TABLES</b>	<b>v</b>
<b>LIST OF FIGURES</b>	<b>vi</b>
<b>LIST OF ABBREVIATIONS</b>	<b>vii</b>
<b>CHAPTER I INTRODUCTION</b>	<b>1</b>
1.1 Rationale of the Study	2
1.2 Objectives of the Study	3
1.3 Scope and Methods of the Study	3
1.4 Organization of the study	4
<b>CHAPTER II THEORETICAL BACKGROUND OF THE STUDY</b>	<b>5</b>
2.1 Debt Collection and Debt Collection Strategies	5
2.2 Principles of debt collection fairness	8
2.3 Factors Influencing on Debt Collection Practices	10
2.4 Previous Studies	12
2.5 Conceptual Framework of the study	13
<b>CHAPTER III PROFILE AND DEBT COLLECTION PRACTICES OF YOMA BANK</b>	<b>16</b>
3.1 Profile of Yoma Bank	16
3.2 Credit Policy of Yoma Bank	17
3.3 Collection Policy of Yoma Bank	17
3.4 Collection System of Yoma Bank	20
3.5 Delinquency Management	21

<b>CHAPTER IV</b>	<b>THE INFLUENCING FACTORS ON EFFECTIVE DEBT COLLECTION PRACTICES OF YOMA BANK</b>	<b>22</b>
4.1	Research Design	22
4.2	Demographic Characteristics of Respondents	23
4.3	Influencing Factors on the Effective Collection Practices of Yoma Bank	27
4.4	Analysis of Influencing Factors on the Effective Collection Practices of Yoma Bank	34
<b>CHAPTER V</b>	<b>CONCLUSION</b>	<b>37</b>
5.1	Findings	37
5.2	Suggestions	39
5.3	Needs for Further Study	40
<b>REFERENCES</b>		
<b>APPENDIX A</b>	<b>QUESTIONNAIRE</b>	
<b>APPENDIX B</b>	<b>SPSS OUTPUTS</b>	

## LIST OF TABLES

<b>Table No.</b>	<b>Description</b>	<b>Pages</b>
3.1	Collection Segmentation	18
3.2	Accounts Classification by Cycle and Days Past Due	19
4.1	Response Scores Translation into continuous Likert Scale	23
4.2	Gender of Respondents	23
4.3	Age of Respondents	24
4.4	Marital Statue of Respondents	24
4.5	Educational Qualification of Respondents	24
4.6	Job Position of Respondents	25
4.7	Years of Experience in Financial Service Sector	25
4.8	Years of Employment in Yoma Bank	26
4.9	Years Involved in collection work in Yoma Bank	26
4.10	Mean Value of Collection Policy & Resources	27
4.11	Mean Value of Staff Competency & Reliability	29
4.12	Mean Value of Core Banking and Collection System	31
4.13	Mean Value of Delinquency Management	32
4.14	Mean Value of Impact on Effective Collection Practices	34
4.15	The Significance of Influencing Factor on Effective Collection Practice	35

## LIST OF FIGURES

<b>Figure No.</b>	<b>Description</b>	<b>Pages</b>
2.1	Conceptual framework of Factors Affecting Adoption of E-payment	16
2.2	Conceptual framework of Factors Influencing Intention to Use E-payment System for Online Shopping	17
2.3	Conceptual framework of the study	18
3.1	Organizational Structure of the Study	23

## **LIST OF ABBREVIATIONS**

BOD	-	Board of Director
CAD	-	Credit Administration Department
CBM	-	Central Bank of Myanmar
CBS	-	Core Banking System
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
CRD	-	Credit Risk Department
CRO	-	Chief Risk Officer
DPD	-	Days-Past-Due
E-banking	-	Electronic Banking
E-Payment	-	Electronic Payment
FBE	-	Fusion Banking Essence
GIZ	-	Gesellschaft für Internationale Zusammenarbeit
HO	-	Head Office
SMS	-	Short Message Service

# **CHAPTER I**

## **INTRODUCTION**

Credit Loans to borrowers are the primary source of revenue for all commercial banks. Commercial banks disburse out for the loans to different borrowers: individual, businesses and corporates by using the depositors' funds. Hence the commercial banks can be viewed as the intermediation which mobilize the deposits of surplus units into deficit units. The loans can be of different types: mortgages, auto loans, business loans, small-and-medium enterprises (SMEs) and personal loans. In return for the loan, the commercial banks charge the interest as the cost of capital, and some service fees in the form of establishment fees, late-payment fees or penalties, and commissions.

Apart from the income side, the bank's financial activities also incur various expenses, from general operating expenses and the cost of borrowing to provisioning for the potential loss from defaulted loans. Hence, the banks need to disburse out effectively their loan facilities to various borrowers by using the depositors' savings in order to generate revenue and cover the cost of capital and operating costs.

Along with the need for lending, commercial banks do need to assess the credit worthiness of borrowers and provide an ongoing monitoring, collection function to ensure borrowers meet their obligations in repayment of their loan facilities. However the symmetry of information exist since borrowers rarely disclose their actual financial tight condition. Hence the credit risk management plays one of the most crucial activities in any commercial banks. Sound credit management is a prerequisite for a bank's stability and continuing profitability, while weak credit risk management leads to poor financial performance and condition. For any commercial bank, the most serious risk lies in lending money and not getting it back.

When it comes to getting repayment of disbursed loans and personal credits, two synonymous words are prevalent among banks and financial institutions: debt collection and debt recovery. Debt Collection and Debt Recovery are very close in meaning with very important distinction. Who is trying to get repayment is what differentiates between the two. In debt collection, the creditor (the bank) attempt to recover the loan. Debt recovery is when a loan

becomes delinquent and cannot be restored back into current, a condition referred to as being all past-due amounts settled, and the creditor engages a third party, known as a collection service, to effectively chase for collecting the past-due amount or the whole loan.

## **1.1 Rationale of the study**

With the disbursement of credit loans to generate revenue comes along with risk, mainly the credit risk. Credit risk may be defined as the financial loss suffered due to the default of a borrower or counterparty under a contract. Banks defined credit risk as the risk that customers default, that is, fail to comply with their obligations to service the debt (Robert J. Chapman, 2011).

From the perspective of Statement of Financial Position of the banks, loan portfolio is the biggest asset (current and non-current) of the bank and hence credit risk management is crucial for the bank to keep its asset quality. Part of the credit risk management is to get the loan repayments as per the schedule of contract signed between the bank and borrower. When the credit loans become delinquent and the interest and loan are not repaid, the banks suffer the loss, or delay of, of interest income and yet on the other hand the interest to the depositors are still payable as an obligation of the banks.

Therefore if the banks cannot collect the due repayments of borrowers, the bank's income is negatively affected. If the default continues above the days-past-due for 90+ days, the income is suspended by parking the respective interests and penalties into Suspense account according to the central bank regulation.

In order to minimize the financial loss due to loan defaults and suspended interest income, the banks need to equip with sound and resilient credit risk management framework and effective and efficient collection policy, procedures and practices.

Debt collection is therefore very important function for the bank's operational and financial viability. For that reason banks have to formulate effective collection policy and exercise proper debt collection practices. Various debt collection strategies abound that are exercised in financial institutions, yet little research on identifying influencing factors on effective debt collection practices is found in the publications. Perhaps it may be pretty much taken for granted that debt collection practices are obvious and understood, common to all institutions, the way to resolve default issues are practiced more or less similarly among banks.

Hence there is virtually no explicit research work in identifying the effective debt collection practices and the factors influencing on these practices. To fill this research gap is the reason of this research work by identifying the influencing factors on effective debt collection practices.

## **1.2 Objectives of the study**

The objectives of the study are:

- 1) To identify the Debt Collection Practices of Yoma Bank
- 2) To evaluate the influencing factors on the effective Debt Collection Practices of Yoma Bank.

## **1.3 Scope and Method of the study**

The study only focus on the influencing factors on effective collection practices. The study adopted a descriptive and analytical research methods, analyzing on the primary data from the survey and some secondary data. The total population of the study was 124 credit managers/supervisors or branch managers from Head Office and 81 branches. A sample size of 88 respondents was selected through simple random sampling method; and the sample represents a 71% of the population.

The survey questionnaire comprises 56 questions addressing to different influencing factors on effect debt collection practices and getting respondents' response on existing practices for necessary enhancements.

#### **1.4 Organization of the Study**

The paper is divided into five chapters. Chapter one is an introduction that explains the important natures of credit loans in commercial banks, credit risk management and recovery & collection processes. Chapter two is theoretical background of the study associated with loan recovery and collection of Yoma Bank. Chapter three details the collection policy and practices of Yoma Bank. Chapter four explores the structure of survey questionnaire and how to get the mean result and interpret/quantify. Finally chapter five contains the conclusions, findings and suggestion on loan recovery and collection policy, procedures and practices.

## **CHAPTER II**

### **LITERATURE REVIEW**

The fundamental objective of this study was to determine the influencing factors on effective debt collection practices of Yoma Bank. With a view of this objective, this chapter review empirical studies on debt collection strategies practices.

#### **2.1 Debt Collection and Debt Collection Strategies**

Debt collection began since the time of the Roman Empire when rei vindication was first introduced [Meyer-Spasche 2002]. Debt collection process is a set of procedures used in order to recover overdue claims from the debtor. The problem of debt collection has a remarkable effect on a businesses' economic situation. [Lada-Wejer-Kudelko, 2018] For the commercial banks, the debt collection is a part and parcel of disbursement of loans to firms, individual installment loans and personal credit. In Yoma Bank, collection, under normal circumstances, is initiated once the account becomes delinquent by 1 day onwards. In some cases, the proactive debt collection is required in the event that the disbursed loan is not utilized in the loan purpose properly or the client is found to be misconducted on the collateral or sued by other private lenders or involved in the Central Bank's list of individuals under compliance issue.

Regarding the debt collection strategies, the fundamental objective is for a bank to determine a borrower's cash flow, repayment potential and capability, determine a workable solution for both debtor and creditor in getting the repayment, clear guideline to define collections harassment or abuse and make sure that the bank does not engage in any practices regarded as unfair debt collection practices.

Debt collection strategies are a set of clearly defined, coordinated, timely and orderly activities targeted to full repayment of past-due debts from clients. The process is aimed to convert receivables into liquid assets as quickly and efficiently as possible, while at the same time maintaining the goodwill of the client in case of future transactions. A. Celczyńska [2012]

proposed that a goal of debt collection is to recover overdue receivables at the earliest opportunity.

As for the banks, they must formulate the appropriate collections strategies that is in line with credit policy and risk appetite. Best collection practices encompass structured approach, segmented focus or ownership in collection, and steer towards proactive strategy. They recognize the importance of staff competency and offer ways towards appropriate collection and maintenance of data, segmentation of clients and offering of collections products or payment alternatives that best suit to the condition of the client. And, finally, they provide a listing of policies and procedures that contribute to successful collection of debts.

According to Todd J. Zywicki(2015) in his paper *The Economics of Consumer Credit Contracts and Collection Practices*, in order for a lender to make a loan profitably, the lender need to price the risk of loss accurately. If the risk of loss is higher, a lender will need to charge a higher price to compensate for the heightened risk of loss. If the lender is cannot determine the risk of the loan, such as due to regulatory limits, then the lender may reduce the risk exposure either by lending to lesser borrowers (and, in particular, by limiting credit offered to higher-risk borrowers) or by lending less to the same borrowers by reducing credit lines and loan size. One aspect of the risk of loss is the ability to collect from a default borrower. If collection is not strong enough, the loss rate can be higher, due to two reasons. First, if the creditor is more limited in his ability to collect, less will be recovered from the defaulted debtor, and collection efforts will be more costly. Secondly, if the consequences of default loans are not severe, debtors will be more likely to become default. As a result, greater restraints on the ability of creditors to collect will tend to increase their losses. In return, the creditors will react to this increased risk of loss by setting higher prices to compensate or by lowering the risk exposure. Todd J. Zywicki(2015)

Debt Collections strategies should also take into account the goodwill and relationship of the clients. Hence designing a collection strategy call for a vast amount of time and resources in order to be implemented well. The bank's financial management may opt to outsource a specialized collections agency, if any, or to build an internal collections unit.

The bank's credit risk department needs to familiarize with all common practices of dealing the delinquent accounts and the options to restructure the NPL/delinquent accounts.

Before deciding, however, the bank must analyze all its options, weighing costs and benefits associated with each option.

**(a) Proactive Debt Collection Strategy**

Proactive Debt Collection Strategy involves approaches which address or call for action on a problem before the problem surfaces. This proves to be one of the most effective strategies available in reducing debt accumulation.

**(b) Outsourcing Strategy (Recovery)**

Outsourcing strategy refers to the strategy in which the bank or financial institution to engage a third party debt collection agencies. Usually third party collection agencies are professional with proven track records and tactics that yield effective results from past due debtors. Collection agencies have more means and resources, software, tools, databases and connections at the ground which all together make them far more efficient and effective at finding otherwise uncontactable delinquent customers. These agencies support their clients with trained and specialized staff that are able to dedicate the appropriate time to collections activities. The costly control and supervision of collections activities are transferred to the collections agency.

Usually two main business models are adopted in the outsource debt collection approach. They perform the collection work on behalf of the original lender (contingent collection) and the outright purchase of debt ledgers or portfolios by collection agencies (including specialised debt buyers) (Piteous, 2004). The growing use of credit by households up to 2010 supported both the volume of contingency collection and the value of debt ledgers available for purchase. Agencies may receive a fee based on the number of accounts managed. More commonly collection agencies are paid a commission, calculated as a percentage of the recovered money. (Sigamoney, C., Liganiso, X., & Karodia, A. M. (2014))

This strategy is listed here just to mention its existence as an option for the banks in other countries. Yoma bank has tried out with local third party agencies; and ceased to engage due to lack of proper regulation and business license from regulation bodies and Central Bank of Myanmar (CBM) at this time of writing.

**(c) Internal Debt Collection Team Strategy**

A commercial bank may consider an option to build an internal debt collection unit, which has several advantages including; internal units are more knowledgeable of the client and the market. They are more concerned to maintain a relationship with the client, leading to possible client reactivation. Internal units facilitate internal feedback on the collection process as a whole. An internal debt collection unit also makes collection personnel feel more committed to the organization and to its objectives. The organization's internal database holds information for the development of predictive debt collections. This also ensures the organization retains control over the client's confidential data and interface, thus maintaining more direct control and ensuring collections practices remain in line with institution's ethical standards. Running the collection by an internal debt collection unit has several drawbacks such as, internal units may not be trained the specialized collection and negotiation trainings that the collection agencies have conduct on their employees. Peter Kitongy (2014)

**(d) Enforcement Strategy**

Employing legal options is also part of debt collection strategies. If deemed necessary, some delinquent cases can be pursued legally. Effectively enforced penalty measures for non payment or duly delayed payment is an important element of a debt collection strategy. Some governments have begun dealing with the debt collection problem with a variety of reform measures. The most effective one appears to be strict enforcement and rapid legal procedures and automatic tax liens on delinquent property (Alms, 1997).

**2.2 Fairness in debt collection**

Debt collection happens when creditors and collectors resolve to secure payment from consumers or businesses who are legally bound to pay or to repay money they owe. It is important that any organization involved in recovering debt is aware of its legal obligations.

Regardless of which strategy stated above is applied, the bank or creditor party which is to carry out debt collection needs to be aware of principle of debt collection fairness. The Australia Competition & Consumer Commission clarified the Principles of debt collection fairness, acceptable reasons for contacting a debtor and illegal behavior when contacting a debtor.

### **(a) Principle of Debt Collection Fairness**

The bank, especially the collection personnel or collection team, should treat debtors and third parties with fairness, respect and courtesy. The bank should never coerce or harass them, mislead them about the nature of their debt or treat them unconscionably, their legal obligations or any possible outcomes if the debt is not paid.

And it should be noted that collection personnel should not pursue a person for a debt unless there is sufficiently reasonable grounds for believing the person is liable for the debt.

### **(b) Acceptable reasons for contacting a debtor**

The bank's communications with the debtor must always be for a reasonable purpose, and should only occur to the extent necessary, for example, in order to:

- give information about the debtor's account
- convey a demand for payment
- explain correctly the consequences of delinquency and non-payment, including any legal remedies available to the collector/creditor, and any service restrictions that may apply in the case of utilities (for example, electricity)
- make arrangements for repayment of a debt
- advise a workable settlement proposal or alternative arrangement for payment from the debtor
- review existing arrangements after an agreed period
- clarify and ascertain why previous attempts to contact the debtor have not been responded to within a reasonable period, if this is the case
- ascertain why the earlier agreed payment arrangement has not been complied with, if this is the case
- find out whether the debtor has moved to a new residential location without informing the bank, when suspected
- site inspect or recover a security interest.

However the bank personnel may contact the debtor at the debtor's request.

### **(c) Illegal behavior when contacting a debtor**

As clarified in ACCC website, Under Australian law, a debt collector must not:

- apply a mean of coercion or physical force (forcing or compelling the debtor or a third party, such as a family member, to do something)
- hassle or harass the debtor to an unreasonable extent
- deceive or mislead the borrower (or try to do so) regardless of intention
- take unfair advantage of any vulnerability, disability or other similar circumstances affecting the debtor (this is an example of unconscionable conduct).

(<https://www.accc.gov.au/business/treating-customers-fairly/debt-collection>)

## **2.3 Factors Influencing on Debt Collection Practices**

When it comes to the influencing factors on debt collection practices, in principle, the banks need to possess four pillars: policy plus resources on the function itself, people, infrastructure and managing on the function itself. In more specific terms, the four influencing factors on effective debt collection practices are 1) a sound collection policy and resources on debt collection teams, a robust core banking system, a competent and reliable squad of collection personnel and an efficient delinquency management.

### **2.3.1 Credit Policy**

The credit policy is the strategic and high-level policy before the portfolio management, collection policy and strategy were formulated. Teh.C.G (2001) stated that the purpose of the credit control policy and procedures is to define the credit control department function and its responsibility as well as to set down the objective and operation manual of the credit control management. The function of the credit control policy and procedures are to protect the investment of the account receivable of the company, as well as to maintain the lowest level of receivables. It's commensurate with the inherent risks in achieving sales objectives and increases the company profit as well.

### **2.3.2 Collection Policy**

The collection policy is set up by top management with the objective to clearly outline the roles and responsibilities, standard collection practices across the collections operation of the bank, collection strategies and provisioning.

### **2.3.3 Staff Competency and Reliability**

Peter Kitongy (2014) quoted that according to Boyatzis (2007), a competency is defined as a capability, ability or an underlying characteristic of an individual which is casually related to effective or superior performance. It is a set of related but different sets of behavior organized around an underlying construct, which we call the “intent”. The behaviors are alternate manifestations of the intent, as appropriate in various situations or times. Besides, the concept of competency is used to refer to applied knowledge and skills, performance delivery, and the behaviours needed to get things done very well (Armstrong and Baron, 1995).

### **2.3.3 Systems and Technology- Core Banking System**

Peter Kitonga (2014) stated that the management information systems that the banks adopt should be easy to use, cost efficient in terms of operation and administration, compatible with other systems in use within the bank and flexible enough to accommodate growth of the bank when it occurs.

A core banking system, when implemented well, ensures accurate and error-free delivery of financial services to customers, thus adding to the banks’ efficiency and performance.

Some of the most positive impacts of deploying CBS in banks are as follows:

- a) Helps the internal staff more competent and productive
- b) Minimizes human interventions, thereby reducing human errors
- c) Helps prevent frauds and thefts with real-time banking facilities
- d) Reduces operational costs
- e) Aids in studying changing customer demands
- f) Facilitates decision making through reporting and analytics.

## 2.4 Previous Study

Peter Kitonga (2014) conducted the research on Determinants of Effective Debt Collection in Commercial Banks in Kenya. In this study, the researcher's variables of choice are Staff Competency, Resources and Information Management as independent variables, and Debt Collection Practices as dependent variable.

The researcher attempted to establish: i) to what extent does staff competency affect the effectiveness of debt collection in commercial banks? ii) what is the effect of resources on the effectiveness of debt collection in commercial banks? (iii) To what extent does information management affect effectiveness of debt collection in commercial banks? In his study 1118 credit managers/supervisors or branch managers of the 37 commercial banks were surveyed as the total population of the study. A sample size of 118 respondents was selected through random sampling technique, which represents a 10% of the population. The data was collected using a questionnaire. Secondary data on Non-performing loans/Gross loans was also collected. The data collected was analyzed using descriptive statistics by means of the SPSS software (statistical package for social sciences).

Results indicated that staff competence was highly emphasized in the banks. The results have shown that most respondents believe that new employees get good induction training, the induction training included training on task relating to the job and that on the job training was crucial for improving employee performance. Majority also believed that the training offered to them had widened their knowledge gap and had assisted them adjust to the work environment. His results showed that an increase in the effectiveness of staff competence influences the non-performing loans negatively.

His findings also indicated that the banks have set aside enough resources to facilitate and mobilize the employees working in the debt collection departments to carry out their duties effectively and efficiently. The study findings indicate that majority of the respondents agreed with the statements that the bank provides vehicles for staff mobilization while carrying out their duties, the bank provides airtime for staff in debt collection department for follow up calls, the bank has enough number of staff in the debt collection department, the employees of the bank are well remunerated to avoid corruption issues and the bank has invested heavily in technological resources to ensure smooth work flow of employees. Correlation results

highlighted a conclusion that the relationship between financial resources and non-performing loans is negative and significant.

His study also revealed that the banks had invested in management information systems which were easy to use and compatible with other bank systems in place. Based on the results he noted that a large portion on the respondents believed that the bank had invested in a management information system that is user friendly, the information system that the bank had invested in has helped minimize administrative costs, that the core banking system was compatible with the other information systems in the bank and that the banks' core information system could accommodate the banks growth, and that the information system being used by the bank had helped to enhance employee performance and productivity. His respondents also believed that employees had time and freedom to chat freely with their colleagues. Correlation results show that the relationship between management information system and nonperforming loans was significantly negative.

Based on the results from the study, the researcher recommended that the banks need to enhance staff competence through proper induction at the point of recruitment as well as continuous training for the existing employees. This will have an impact on the effectiveness of debt collection processes within the bank. The management should also create a platform where information on the general performance of the bank can be shared with other employees. The banks also need to allocate ample resources to be used for debt collection. The study also recommends that banks should invest more in Information technology which will positively enhance debt collection processes within the banks and as a result lower the ratio of Non-performing loans.

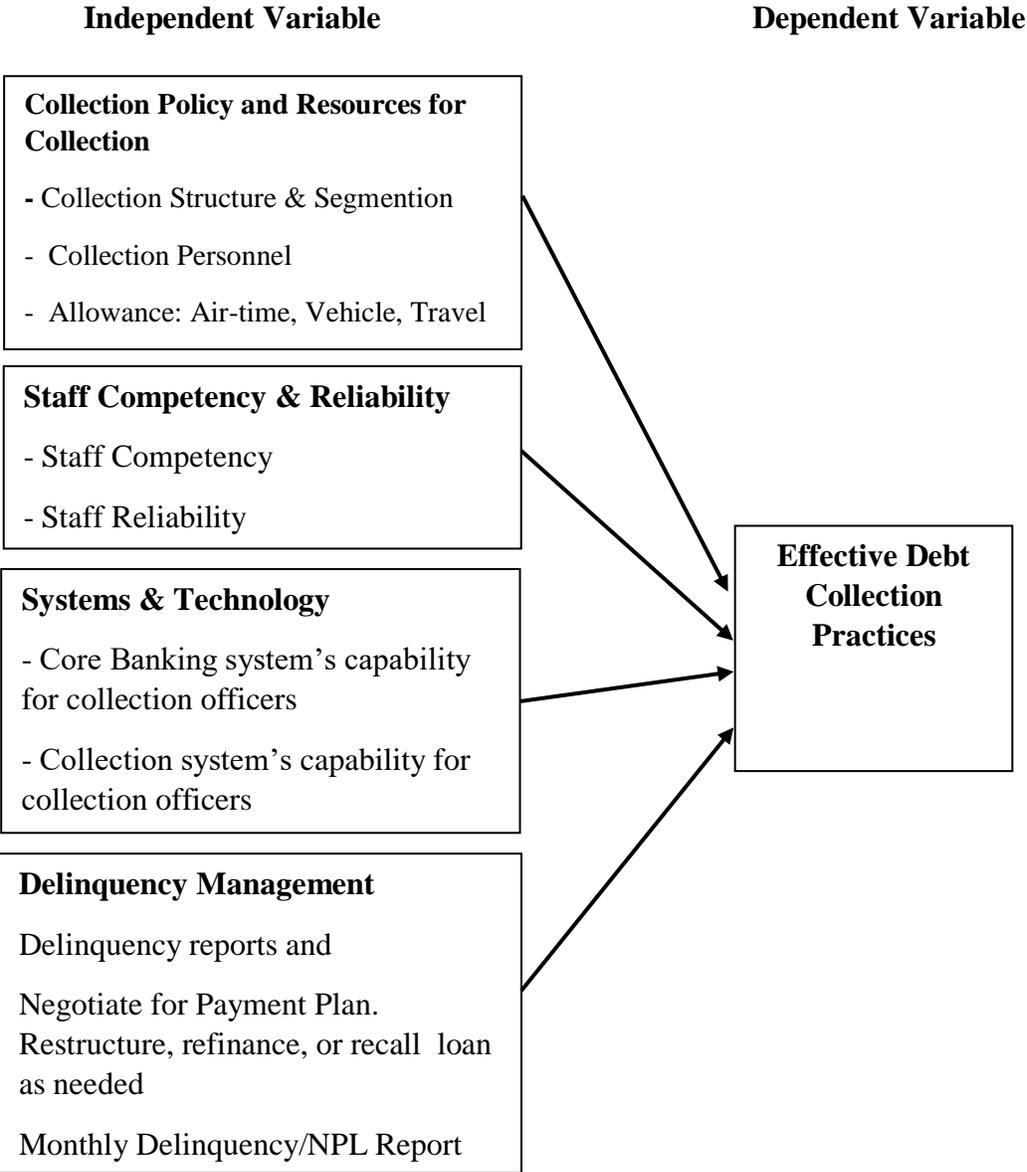
## **2.5 Conceptual Framework of the Study**

In the previous study mentioned above, Peter Kitonga(2014) quoted that Mugenda and Mugenda (2003) and Smith (2004) defined a conceptual framework a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. Kothari (2004) defines an independent variable, also known as the explanatory

variable, is the presumed cause of the changes of the dependent variable, while a dependent variable refers to the variable which the researcher wishes to explain.

As depicted in the figure below, the independent variables (influencing factors) are Collection Policy & Resources for Collection, Staff Competency and Reliability, Systems and Technology, and finally the Delinquency Management. The dependent variable is the effective collection practices.

Fig. 2.1 Conceptual Framework of the Study



Source: Own Compilation

Collection Policy and Resources for Collection is explained by the items of Collection Structure & Segmentation, number of Collection Personnel and their salaries, allowance for air-time, vehicle and transport, and travel accommodation.

Staff Competency & Reliability is about the competency of the collection personnel from the head office and all branches of Yoma Bank, and staff reliability. Systems and Technology is explained by the statements associated with the investment in core banking systems (CBS) and collection, and the statements about the systems capability on the collection work.

Delinquency Management is about how collection teams do to prepare the Delinquency reports, negotiate for Payment Plans, restructure, refinance, or recall the loan and report monthly Delinquency/NPL Reports. And subsequently the study will determine the influences on the effective debt collection practices.

## **CHAPTER III**

### **Profile and Debt Collection Practices of Yoma Bank**

This chapter explores the debt collection practices of Yoma Bank, continued from the excerpt of collection policy, cascading down to collection policy and procedures, and then finally the collection practices. The policies are excerpted to emphasize the functional aspects specifically related to the debt collection and loan-recovery of cohesive team of collection personnel bank-wide. It should be noted that the collection procedures and practices are not meant to be comprehensive and uniform to debt collection of all commercial banks in Myanmar.

#### **3.1 Yoma Bank Profile**

Yoma bank is one of the leading private commercial banks in Myanmar and well known in the market as a growing bank. In 2003, during the banking crisis, the CBM withdrew Yoma Bank's license, limiting it from taking deposits or issuing loans. During that time, Yoma Bank only relied on fee-based services such as remittances. In 2012, the CBM reinstated it with complete banking license. In November 2014 Yoma Bank and the telecomm service provider Telenor Myanmar signed their cooperation agreement to provide mobile banking to Myanmar; with the aim to providing the non-banked access to financial services.

In endeavoring towards the transformation into core banking system in 2015, Yoma Bank decided to utilize "Fusion Banking Essence (FBE)" software from Misys(UK).

Due to the bank's access to SMEs and international standards in banking, in May 2015 the German development agency GIZ chose Yoma Bank as a partner for its program to promote SMEs in Myanmar.

### **3.2 Credit Policy of Yoma Bank**

The Credit Policy of all financial institutions include, in general, a clearly outlined policy, system, guidelines and principles that constitutes as a blueprint for credit approval and collection of loan repayments until full settlement.

The objective of the Yoma Bank Credit Policy is to clearly outline the principles and best lending practices, which apply at Yoma Bank in Myanmar market. The policy directs through key steps involved in the Bank's credit assessment and management process. The policy is to be reviewed with risk appetite statement. The policy outlines its (a) objective, (b) Credit Initiation, Evaluation, and Approval, (c) Disbursement and Documentation (d ) Loan Administration, (e) Delinquency Management (f) Portfolio Management (g) Related Party Transactions (RPT) (h) Counterparty Risks and Investments and (i) Organization and Roles.

### **3.3 Collection Policy and Debt Collection Practices of Yoma Bank**

Yoma bank is compliant with the own collection policy and the regulations and guidelines of Central Bank of Myanmar (CBM). Beside the policy and regulations, Yoma Bank upholds the supplier-customer relationship and the principles of Debt Collection Fairness, always caring to treat the debtors with fairness, respect and courtesy.

Yoma Bank set up the collections policy with the objective to clearly outline roles and responsibilities, standard collection practices across the collections operation, collection strategies and provisioning at Yoma Bank. It is designed to minimize the delinquencies and Non-Performing Loans (NPL) and losses from these accounts. This is to be accomplished by applying consistent and effective procedures and practices that are compliant with Myanmar laws, Central Bank Regulations and Yoma Bank policies.

The policy shall be subjected to a periodic review and adjusted as required depending upon:

- a) Technology Improvements within Yoma Bank e.g. introduction of an online collection system
- b) Changes in Myanmar Economic conditions
- c) Changes in Myanmar Banking & Financial Institutions laws

d) Changes in Myanmar Central Bank regulations

Regarding the Roles & Responsibilities, Yoma Bank operates a decentralized early cycle collections model for some segments and a centralized late cycle collection and recovery model. The chart below shows the allocations of the collection responsibilities for the account actioning. It is important that all collections operations within Yoma Bank adhere to the agreed steps by ensuring that Yoma Bank approaches its customers uniformly across all collection operations.

**Table 3.1 Collection Segmentation**

Collection Segmentation	Cycle 1 1-30 dpd	Cycle 2 31-60 dpd	Cycle 3 61-90 dpd	Cycle 4 91-120 dpd	Cycle 5 121-180 dpd	Cycle 6 181+ dpd
Corporate & Global Trade Finance	Corp RM	Corp RM	Collections	Collections	Collections	Collections
SME	Branch	Branch	Collections	Collections	Collections	Collections
Digital	Digital Ops	Digital Ops	Digital Ops	Collections	Collections	Collections
Star City & Housing	Collections	Collections	Collections	Collections	Collections	Collections
Hire Purchase (Non-Dealer Guaranteed)	Collections	Collections	Collections	Collections	Collections	Collections
Hire Purchase and AFP Hire Purchase (Dealer Guaranteed)	Call Centre	HP Sales & Branch	Dealer & Collections	Dealer & Collections	Dealer & Collections	Dealer & Collections
Yoma Trade Guaranteed	YTG Ops & Branch	YTG Ops & Branch	Collections	Collections	Collections	Collections
Agri Unsecured	AFP Sales	AFP Sales	Collections	Collections	Collections	Collections
Yoma Bank Staff	HR	HR	HR	HR	HR	HR

As for segmentation of collection, Yoma Bank segments delinquent customer accounts by: a) Corporate & Global Trade Finance, b) SME, c) Digital, d) Star City and Housing, e) Hire Purchase (Non-Dealer Guaranteed), f) Hire Purchase and AFP Hire Purchase (Dealer Guaranteed), g) Yoma Trade Guaranteed, h) Agri Unsecured. In addition to the above segments, accounts in litigation and collaterals in possessions are also managed under Head of Collection.

Yoma Bank Collection strategies vary by a) Product, b) Value, c) Delinquent Status, and d) Litigation Status. The strategies must take into account of the followings: a) Risk effectiveness, b) Customer Impact, c) Policy & Regulatory compliance, d) Early Intervention, e) Collections Costs, f) Technical Capabilities and Solutions.

Collection strategies are developed by Non-Performing Loan Committee and maintained by Head of Collection. The main collection strategies are to reach out the delinquent customers by telephone, in person meetings and field calls. Strategies will vary depending upon the effectiveness and amount recovered and this will be reviewed on a regular basis by the Non-Performing Loan Committee.

Yoma Bank's Core Banking System (CBS) recognizes when an account becomes overdue from the payment due date on a daily basis. Yoma Bank categorizes accounts by cycles and days past due as mandated by Myanmar Central Bank and they are as follows.

**Table 3.2 Scores translation into value on continuous Likert scale**

Classification of Loans/Advances	Days Past Due	Provision on shortfall in security value
Cycle 1 – Standard	1- 30 dpd	0%
Cycle 2 – Watch	31- 60 dpd	5%
Cycle 3 – Substandard	61- 90 dpd	25%
Cycle 4 – Doubtful	61-90 dpd	50%
Cycle 5 – Loss	180+ dpd	100%

### **3.4 Collection System**

Yoma Bank is one of the private commercial banks in Myanmar using a collection System. The collection system in use is Katabat (formerly CMC) Collection, a cloud-based debt management and collection solution that allows users to manage digital collections, debt placement and recovery accounting.

The system supports customer communications through SMS and email templates. A cloud-based portal helps users to synchronize information across business strategists, agents and customers. Delinquent account balances can be tracked, calculated and updated based on interest accrual, payments and fees.

In addition, it also allows collection personnel to manage external collection agency assignments (if any), communication and monitoring, recalls and putbacks. Compliance communications and audits can be automated. An overview of promises, queueing, offers, payment schedules, channel communications, and account status updates are available.

### **3.5 Delinquency Management**

Upon non-payment on due date of any interest or principal due, the Bank should immediately contact the borrower to inquire into the reasons for the default and agree on a plan to eliminate the delinquency.

Upon the happening of the following events, the loan account shall be endorsed by the business unit to the Collection Team at HO for handling:

- a. The account turns 30 days past due;
  
- b. The account has not turned 30 days past due but the borrower failed to pay his first interest or principal due and his financial situation does not appear to support a resolution of the account in the near term (i.e., non-starter, a strong indication of a serious problem);
  
- c. The Bank has information from the community that the borrower has defaulted on his loans with other lenders or has skipped town.
  
- d. Despite the fact that the Collection Team has taken over responsibility for the collection of an endorsed account, the business unit should support the Recovery Team by proving valuable information and by helping communicate with the borrower. The business unit shall continue to carry the bad debt and corresponding carrying cost in its books.

## **CHAPTER IV**

### **THE INFLUENCING FACTORS ON EFFECTIVE DEBT COLLECTION PRACTICES OF YOMA BANK**

This chapter comprises four major sections: research design, summary of the demographic profiles of all respondents, identifying the influencing factors on the effective collection practices and analyzing the factors by the application of statistical regression method.

#### **4.1 Research Design**

The research is done through a data survey in order to identify the influencing factors of effective debt Collection Practices in the loan recovery of Yoma Bank. Descriptive survey design was used in conducting the research. The total population of the study was 124 credit managers/supervisors or branch managers from Head Office and 81 branches. A sample size of 88 respondents was selected through simple random sampling method; and the sample represents a 71% of the population. A survey questionnaire was created and the responses were used for compiled and analyzed. Secondary data about the number of accounts handled and the cash collected was also referenced.

The respondents' reply on the questionnaire forms the basic raw data on which the analysis is made to in order to verify the results and conclude some findings. In the first part, the demographic profiles of respondents are captured. In the second part, respondents provide how much they agrees on each statement measured by Five-Point Likert scale with a range from 1 to 5 (from 1 = strongly disagree, 2 = disagree, 3 = acceptable, 4 = agree, 5 = strongly agree). Based on 5-point Likert scale, the middle mean score is 3.

**Table 4.1 Scores translation into value on continuous Likert scale**

<b>Sr No</b>	<b>The Average (Mean)</b>	<b>The Level of Agreement</b>
1	1.00 ~1.80	Strongly Disagree (or) Very Low
2	1.81 ~ 2.60	Disagree (or) Low
3	2.61 ~ 3.40	Neutral (or) Moderate
4	3.41 ~ 4.20	Agree (or) High
5	4.21 ~ 5.00	Strongly Agree (or) Very High

Source: Tan & Teo, 2000

## **4.2 Demographic Profile of Respondents**

In this first section, the demographic profiles of respondents such as gender, education level, level of job position, employment duration, experience in years in financial sector, years of employment in Yoma Bank etc are summarized. The total population of the study was 124 credit managers/supervisors or branch managers from Head Office and 81 branches. A sample size of 88 respondents was selected through simple random sampling method; and the sample represents a 71% of the population.

This response rate is considered sufficient since a response rate of 50 % or more is ideal for data analysis. Based on these assertions from renowned scholars 71% response rate is adequate for the study.

### **4.2.1 Gender of Respondents**

Among the (88) respondents, 27 are male representing 31% and 61 people are females representing 69%. It is quite interesting that there are more female staffs are involved in the collection personnel of Yoma bank.

**Table 4.2 Gender of respondents**

<b>Particular</b>	<b>No of Respondent</b>	<b>Percentage</b>
Single	37	42
Married	51	58
<b>Total</b>	<b>88</b>	<b>100</b>

Source: Survey data, 2019

#### 4.2.2 Age of Respondents

The ages of respondents are found to be as follows.

**Table 4.3 Age of respondents**

Particular	No of Respondent	Percentage
21 to 30 years	14	16
31 to 40 years	38	43
41 to 50 years	30	34
Above 50 years	6	7
<b>Total</b>	<b>88</b>	<b>100</b>

Source: Survey data, 2019

#### 4.2.3 Marital Status

Among the 88 respondents, 37 are singles representing 42% of all respondents and 51 are married representing 58%.

**Table 4.4 Marital Status of respondents**

Particular	No of Respondent	Percentage
Single	37	42
Married	51	58
<b>Total</b>	<b>88</b>	<b>100</b>

Source: Survey data, 2019

#### 4.2.4 Educational Qualification

This is meant to establish the level of education of the respondents. The findings show that out of 88 respondents, which represent 71% had studied to university level and above. Of these 38 had attained a postgraduate level of education. This shows that the banking sector has a highly educated manpower and this could have contributed to the quality of responses given.

**Table 4.5 Educational Qualification of respondents**

Particular	No of Respondent	Percentage
Graduate	33	38
Post Graduate	20	23
Master	35	40
<b>Total</b>	<b>88</b>	<b>100</b>

Source: Survey data, 2019

#### 4.2.5 Job Positions of Respondents

This attribute is to classify the job position of the collection personnel being requested.

**Table 4.6 Job Position of Respondents**

<b>Particular</b>	<b>No of Respondent</b>	<b>Percentage</b>
Officer/ Collection Officer	9	10
Assistant Manager/ SME Specialist/ or equivalent	6	7
Associate Branch Manager	3	3
Manager/ Senior Manager/ Branch Manager	64	73
Other	6	7
<b>Total</b>	<b>88</b>	<b>100</b>

Source: Survey data, 2019

#### 4.2.6 Years of experience in the Financial Service sector (Including the years with Yoma Bank)

This study enables to monitor the length of year of experience in the financial service sector. Having experience in the financial sector is a differentiating factor among collection staffs. According the finding, collection personnel of Yoma are found to be more in the group of longer service years in financial sector: 25% in 4~5 years, 30% in the above-10-years group.

**Table 4.7 Years of experience in Financial Service Sector**

<b>Particular</b>	<b>No of Respondent</b>	<b>Percentage</b>
Less than 1 year	3	3%
2 to 3 years	20	23%
4 to 5 years	17	19%
6 to 10 years	22	25%
Above 10 years	26	30%
<b>TOTAL</b>	<b>88</b>	<b>100%</b>

Source: Survey data, 2019

#### 4.2.7 Number of years employed in Yoma Bank

This data can show the respondent's number of years working in Yoma Bank. The result showed that the majority of respondents are 2~3 years of employment, and above 10 years of experience is the second highest group.

**Table 4.8 Years of employment in Yoma Bank**

<b>Particular</b>	<b>No of Respondents</b>	<b>Percentage</b>
Less than 1 year	10	11
2 to 3 years	27	31
4 to 5 years	13	15
6 to 10 years	15	17
Above 10 years	23	26
<b>TOTAL</b>	<b>88</b>	<b>100</b>

Source: Survey data, 2019

#### 4.2.8 Number of years involved in collection work in Yoma Bank

This is to specifically collect the number of years involved in the collection work in Yoma Bank. The feedback of respondents who have involved in collection work is more likely to reflect actual situation and needs of debt collection process. Number of years involved in the debt collection work of Yoma Bank are shown in below table.

**Table 4.9 Years involved in collection work in Yoma Bank**

<b>Particular</b>	<b>No of Respondents</b>	<b>Percentage</b>
Less than 1 year	26	30%
2 to 3 years	27	31%
4 to 5 years	22	25%
6 to 10 years	10	11%
Above 10 years	3	3%
<b>TOTAL</b>	<b>88</b>	<b>100%</b>

Source: Survey data, 2019

### 4.3 Influencing Factors on the effective collection practices of Yoma Bank

In this section, the analysis will be addressed to the factors which this study sought out to prove the degree of influence on the effective collection practices of Yoma Bank. The four factors are

- 1) Collection Policy and Resources on Collection
- 2) Staff Competency and Reliability
- 3) Systems and Technology, and
- 4) Delinquency Management

#### 4.3.1 Influence of Collection Policy and Resources on Collection

The objective of this study is to determine the effect of sound and transparent collection policy and the resources the bank spends in the collection operation teams and allowances in order to foster the effective collection practices in Yoma Bank. Fifteen questions are raised. Based on the feedback of respondents, the results are as follows.

The table below shows a summary of respondents' answer on the first variable which includes 3 sub-sections:

- a. Collection policy and Segmentation
- b. Number of Collection Personnel and their salaries
- c. Allowances for Air-time(Mobile Phone-bill), Transportation allowances and Transports

**Table 4.10 Mean value of Collection Policy & Resources**

Sr. No.	Collection Policy and Resources on Collection	Mean	Std. Deviation
	<b>Collection Policy and Resources on Collection</b>		
1	Due to early cycle collection (1st cycle from day-1 to 30 days) model, the success rate of debt collection from delinquent accounts is high.	3.670	0.723
2	Decentralized early cycle collection model for some segments enables the collection team and business team (branches) more focused on corresponding delinquent accounts.	3.705	0.714
3	Collection by segmentation such as Corporate, SME, Digital, HP, etc enables more effective collection.	3.739	0.750

4	If the delinquent clients are consistently chased for payment, the chances of getting payment becomes higher	3.648	0.607
5	The accounts unable to clear the past-due amounts in the 1st & 2nd cycles (i.e. from day 1 to 60) are more likely to become default NPLs.	3.784	0.686
<b>Collection Personnel and their salary</b>			
6	The bank has employed sufficient number of staff for the debt collection at the branched and head office.	3.307	0.717
7	The branches have assigned staffs for debt collection and related follow-ups.	3.136	0.925
8	The bank ensures that the employees of the bank are well paid to prevent corruption issues.	3.500	0.625
9	The bank clearly articulated in HR policy that the corruption is NOT allowed.	4.000	0.871
10	The bank made clear instruction to collection personnel that no cash deposit or transfer of payment from delinquent clients into their own personal bank account.	3.977	0.742
<b>Allowances for Air-time, Transportation allowances and Transports</b>			
11	The bank provides allowance for air-time (phone-bills) to the collection officers for making the follow up calls.	4.023	0.816
12	Because of the bank's support on the Air-time, the collection personnel can follow up the delinquent clients more effectively.	3.943	0.807
13	When the collection personnel need to meet with the client or go for field calls, the banks allows to use the bank's vehicle or an alternative way of transportation.	3.614	0.836
14	The bank provides transportation allowances & accommodation when the collection personnel need to go collection trips.	3.773	0.931
15	With the support of bank for the transportation, allowance and accommodation in field calls, the collection personnel can concentrate on the collection work.	3.693	0.807
<b>Overall Mean</b>		<b>3.701</b>	

Source: Survey Data (2019)

As per the results the statements “The bank provides allowance for air-time (phone-bills) to the collection officers for making follow-up calls” and “The Bank clearly articulated in HR policy that corruption is not allowed” have the highest scores above 4. The statement “The branches have assigned staffs for debt collection and related follow-ups.” Has the lowest score

3.136. The overall mean is 3.701, and hence it can be regarded that the respondents generally ‘agree’ for the influence of collection policy and resources on collection.

#### 4.3.2 Staff Competency & Reliability

The objective of this study is to determine the effect of Staff Competency and Reliability on the effective collection practices in Yoma Bank. Eleven related questions are presented to the respondents. The table below shows a summary of respondents’ answer on the second variable which includes 2 sub-sections:

- a. Staff Competency – related to the competency of products, policy and collection guidelines, and
- b. Staff Reliability – related to the ethical and code-of-conduct of collection personnel in business dealings.

**Table 4.11 Mean value of Staff Competency & Reliability**

<b>Sr. No.</b>	<b>Staff Competency &amp; Reliability</b>	<b>Mean</b>	<b>Std. Deviation</b>
	<b><u>Staff Competency</u></b>		
1	The bank gives training on collection procedures and practices to the collection officers.	3.740	0.686
2	Every new collection officer receives induction training on the collection works.	3.560	0.786
3	Learning about the duties and proper behavior in the collection work is included in the training.	3.620	0.862
4	The bank encourages knowledge and information sharing among departments, branches, in so doing, staff competency is improved to better perform his role.	3.560	0.800
5	The bank ensures the collection personnel know well on how the repayment, interest and penalty are accrued in the loan products.	3.820	0.736

6	The collection personnel feel appreciated by the bank as they become more competent and supportive to the delinquent clients.	3.720	0.642
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<b><u>Staff Reliability</u></b>			
7	The bank puts utmost priority on ethic at work and hence provide a compulsory “Code of Conduct” training to every employee once engaged.	3.920	0.834
8	The bank shows the trust on the collection personnel after the proper guidelines, trainings and payment receipt systems are in place.	3.690	0.793
9	As the collection personnel are more reliable, they can be delegated more on some level of action and decision making.	3.510	0.830
10	The more the collection officers are delegated and trusted, the better their performance in collection and customer dealing.	3.700	0.664
11	The bank upholds the staff reliability by sharing the incidents of misconduct and how the person involved are taken disciplinary action.	3.650	0.774
<b>Overall Mean</b>		<b>3.681</b>	

Source: Survey Data (2019)

The results show that the mean values of this variable is fairly concentrated between the mean values 3.51 to 3.92. It can be concluded that the respondents appreciate the relevance or staff competency and reliability in relation to the effective collection practices. The overall mean is 3.681, and hence it can be regarded that the respondents generally ‘agree’ that competency and reliability are important characteristics that influence on the effective debt collection.

### **4.3.3 Systems & Technology**

In this section, the degree of influence of Systems and Technology on the effective collection practices is sought to find out by the respondents’ feedback. In the questionnaire, attempt is made to receive the collection personnel’s explicit responses regarding how systems and technology smoothen and facilitate on the collection work. The respondents are asked about

the Core Banking and Collection Systems of the systems and how systems contribute to the daily productivity, accuracy and security of bank processes, especially the collection work-flows.

This section includes six questions on the advantages of CBS and collection system on the effective debt collection. Based on the feedback of respondents, the results are as follows.

**Table 4.12 Mean value of Core Banking and Collection Systems**

<b>Sr. No.</b>	<b>Core Banking &amp; Collection Systems</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	The bank has invested in the Core Banking System (CBS) that unifies processes, -products, services and transactions.	3.920	0.647
2	The bank's core banking system supports the seamless workflow of bank and single-view of customer data across all branches.	4.020	0.884
3	The CBS promotes staff competency and minimizes the human intervention thereby reducing errors.	3.860	0.714
4	The CBS has scalability to expand resources, products and is compatible with other systems.	3.940	0.613
5	The core banking and collection systems can assist collection personnel to enhance their performance and productivity.	3.760	0.758
6	The core banking provides more accurate client's total outstanding arrears, hence collection personnel can save data extraction & calculation time.	3.910	0.672
<b>Overall Mean</b>		<b>3.902</b>	

Source: Survey Data (2019)

The results highlight that the mean values of this variable are fairly concentrated between the mean values 3.76 to 4.02. It can be concluded that the respondents support the statements that the system and technology are important system infrastructures that influence on the effective collection of the bank in synergy. The overall mean is 3.902, and hence it can be

remarked that the respondents generally 'agree' on the influencing factor of system and technology on the effective debt collection.

#### 4.3.4 Delinquency Management

The objective of this variable is to identify the respondents' answer on how the delinquency management of collection team from HO & branches have effects on debt collection works in Yoma bank.

This section includes fourteen questions on the effective debt collection by virtue of delinquency management. According the responses of respondents, the results are as follows.

**Table 4.13 Mean value of Delinquency Management**

<b>Sr. No.</b>	<b>Delinquency Management</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	The collection teams daily tracks the delinquent accounts and follow up with clients daily.	4.010	0.597
2	The collection officers contact the clients by phones for late payment since past-due day-1.	3.560	0.725
3	The Branch Manager sends the 1st reminder notice letter to client's address, in the first 14 days- past-due.	3.860	0.714
4	If the account is not paid all past-due amounts until the expiry of 1st notice, the Branch Manager issues the 2nd reminder notice to the client to pay in full within 14 days.	3.800	0.664
5	If the account is not paid in full past-due amounts until the expiry of 2nd notice, the Branch Manager issues the 3rd reminder notice to the client to pay in full within 14 days.	3.850	0.653
6	The bank collection personnel follow up and meet with clients to resolve the past-due amounts from past-due day 1 to 60.	3.880	0.842
7	The collection teams from branches and Head Office (HO) share each other the related delinquent accounts info and work together as team in meeting with clients.	3.850	0.796

8	The collection team from Head Office takes over the account when the days-past-due becomes above 60 days, or as specified in the collection policy.	3.920	0.715
9	The collection team from Head Office closely follows up and meets up with the clients to get scheduled payments.	3.830	0.592
10	The collection team meets all clients above 60 dpd and records their Promise-to-Pay (PTP) in the system and monitor the PTPs.	3.900	0.679
11	The collection team prepares the monthly (Non-Performing Loan) NPL reports for the NPL Committee Meeting.	3.910	0.753
12	The Bank manage all NPL accounts on the monthly NPL committee and decide next actions for NPL accounts.	3.890	0.615
13	According to NPL committee instruction, Collection Team pushes for payment schedules, helps to restructure the account, or assists for refinance or recall the loan.	3.900	0.568
14	If the NPL clients are unable to settle or unwilling to settle the loan, the collection team tries to resolve with client and repossess the collateral by giving a legal power.	3.700	0.590
<b>Overall Mean</b>		3.847	

Source: Survey data, 2019

#### 4.4 Analysis of Influencing Factors on Effective Collection Practices of Yoma Bank

The respondents' answers are compiled into a raw data table and linear regression analysis is performed to verify the proposed objective of factors influencing on effective collection practices. The table below is the result of questionnaire on delinquency management.

**Table 4.14 Mean value of Impact on Effective Collection Practices**

<b>Sr. No.</b>	<b>Impact on Effective Debt Collection Practices</b>	<b>Mean</b>	<b>Std. Deviation</b>
1	The collection teams daily tracks the delinquent accounts and follow up with clients daily.	3.600	0.558
2	The collection officers contact the clients by phones for late payment since past-due day-1.	3.740	0.634
3	The Branch Manager sends the 1st reminder notice letter to client's address, in the first 14 days- past-due.	3.590	0.618
4	If the account is not paid all past-due amounts until the expiry of 1st notice, the Branch Manager issues the 2nd reminder notice to the client to pay in full within 14 days.	3.880	0.708
5	If the account is not paid in full past-due amounts until the expiry of 2nd notice, the Branch Manager issues the 3rd reminder notice to the client to pay in full within 14 days.	3.730	0.638
6	The bank collection personnel follow up and meet with clients to resolve the past-due amounts from past-due day 1 to 60.	3.780	0.576
7	The collection teams from branches and Head Office (HO) share each other the related delinquent accounts info and work together as team in meeting with clients.	3.700	0.646
8	The collection team from Head Office takes over the account when the days-past-due becomes above 60 days, or as specified in the collection policy.	3.760	0.695
9	The collection team from Head Office closely follows up and meets up with the clients to get scheduled payments.	3.700	0.697
10	The collection team meets all clients above 60 dpd and records their Promise-to-Pay (PTP) in the system and monitor the PTPs.	3.670	0.601
<b>Overall Mean</b>		<b>3.715</b>	

Source: Survey data, 2019

The tool used for the analysis is Statistical Package for the Social Sciences (SPSS) software. The following table shows the result of multiple regression analysis.

**Table 4.14 The Effects of Influencing Factors on Effective Collection Practices**

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.192	0.274		0.698	0.487
Collection Policy & Resource	0.237**	0.080	0.210	2.961	0.004
Staff Competency & Reliability	0.518**	0.075	0.577	6.887	0.000
Systems & Technology	0.045	0.064	0.055	0.709	0.480
Delinquency Management	0.146*	0.080	0.152	1.831	0.071
N= 88                      R <sup>2</sup> = .856      F = 56.695                      P-value = 0.000					

Source: Survey Data (2019), SPSS Output

Dependent Variable: Effective Collection Practices

Note: Statistical significance    \*\* : 1% level    \* : 10% level

The regression coefficient of the determinant variables is shown on Table 4.14. According to table 4.14, there are 3 independent variables that are significant over effective collection practices: Staff Competency & Reliability (1% level), Collection Policy and Resources on Policy (1% level) and Delinquency Management 0.071 at 5% level.

The results also show that there was a highest significant positive relationship between staff competency and effective debt collection practices. (beta 0.577)

Collection Policy and resource is the second highest factor having significant positive relationship (beta 0.210). Delinquency Management is the third highest significant positive relationship to effective collection practices with beta 0.152.

Systems and technology is the least significant positive relationship factor with beta 0.055.

# **CHAPTER V**

## **CONCLUSIONS**

The findings, conclusions and recommendations are summarized in this chapter. The aim of this chapter is to discuss the findings reported in chapter 4 and based on those findings be able to make conclusions about the research and finally make recommendations on improvements in the collection practices in Yoma Bank. The findings, conclusions and recommendations will be done based on the data collected and analyzed in chapter 4.

### **5.1 Findings**

The objective of this study was to identify the influencing factors of effective debt collection practices in Yoma Bank. In specific objectives, this study was to determine to what extent do the collection policy and the resources on collection have an impact on the effective collection practices, how staff competency & reliability overwhelm the effective debt collection practices of Yoma bank, to determine the impact of Systems & Technology on the effective debt collection results and to determine the effectiveness and efficiency of Delinquency Management on the financial and operational results of collection work.

The research is conducted by a descriptive and analytical survey design. The total population of the study was 124 collection personnel from Head Office and 81 branches. A sample size of 88 respondents was selected through simple random sampling method; and the sample represents a 71% of the population. Therefore compared to 50% the minimum threshold, 71% is sufficiently good for the analysis.

From the demographic data collected, it was found that the majority of the respondents were female. In terms of ages, 21~30 years age group contains more persons. The second highest group is the age group 41~50 years.

Regarding the educational qualification of respondents, the highest number of respondents are master degree holders and the second highest group is graduates. No diploma or undergraduate were found in the respondents.

In terms of job positions, the highest number of respondents is Manager/ Senior Managers/ Branch Managers. In terms of experience in the financial service sector, the majority of respondents are in the group 6~ 10 years.

As for the years of experience in collection work, the highest number belongs to the group 2~3 years, followed by the group less-than-1-year. Regarding the years of employment in Yoma bank, the highest age group is 2~3 years, followed by the group above-10-years. It can be observed from the findings that the second highest group of respondents had been working in Yoma long enough to understand the facts and requirements in debt collection work and hence the responses could be assumed to be reliable and representative.

Next, the collected data from survey were analyzed by applying linear regression analysis. The linear regression included four independent variables: collection policy and resources on collection, staff competency and reliability, systems and technology and delinquency management.

The survey data was analyzed to identify the influencing factors on the effective debt collection practices of Yoma bank. In line with the objective of the study, the analysis was made how the collection policy and resources on collection had influence over effective collection practices.

Concerning the Collection Policy and Resources on Collection, the study found that the statement “the bank provides allowance for air-time (phone-bills) to the collection officers for making follow-up calls” has the highest mean score. Moreover the study also observed that the statement “The branches have assigned staffs for debt collection and related follow-ups.” had the least score.

With regards to Staff Competency & Reliability, the study revealed that the statement “The bank puts utmost priority on ethic at work and hence provide a compulsory “Code of Conduct” training to every employee once engaged.” has the highest mean score. In the same variable, the study also pointed out that the statement “As the collection personnel are more reliable, they can be delegated more on some level of action and decision making.” had the least score.

Regarding the Systems and Technology aspect, the study showed that the statement “The bank’s core banking system supports the seamless workflow of bank and single-view of customer data across all branches.” received the highest mean score, whereas the statement “The core banking and collection systems can assist collection personnel to enhance their performance and productivity.” received the lowest mean score.

Pertaining to the Delinquency Management, the statistical result revealed that the statement “The collection teams daily track the delinquent accounts and follow up with clients daily.” received the highest score. On the other hand, the statement “The collection officers contacts the clients by phones for late payment since past-due day-1.” got the lowest score.

According to the statistical result, Staff Competency & Reliability, Collection Policy & Resource on Collection and Delinquency Management have influence on the effective debt collection practices. Among them, Staff Competency and Reliability has the highest influence on the effective collection practices significantly. Second strongest influencing factor is Collection Policy and Resource on Collection. The Collection Policy and Resources on Collection had the second highest significance.

## **5.2 Suggestions**

Based on the survey data and statistical analysis, review and suggestion can be made on the factors by the mean scores.

Because of the least mean score on having assigned staffs for debt collection and follow-ups, it is suggested that Management should look into the head count of collection officers or personnel in branches and HO; should consider to engage more staffs or to assign more into collection team.

On the Staff Competency and Reliability, the respondents responses resulted in the lowest mean score on the possible delegation to the collection personnel as they become more reliable. Hence it can be regarded as a sign that collection personnel were not confident enough in themselves on delegation to them; meaning that more trainings were needed both in technical and non-technical aspects. In regards to this, suggestion to management is to consider more training on both subject-matter process, products, financial calculations, etc. and soft-skill like motivation, decision-making, negotiation, etc.

Regarding the factor Systems and Technology, the lowest mean score happened to the statement that the core banking and collection systems assist collection personnel in achieving more productivity. Hence it can be considered that the collection personnel still unable to optimize the functionalities and advantages of systems. Therefore it can be suggested that more training is needed on the use of systems or to make the system module and processes more user-friendly.

As for the Delinquency Management, the least mean score is on the statement that the collection officers contact the delinquent client since past-due day-1. It can be concluded that follow-up since past-due day-1 seems like operationally impractical. Suggestions on this issue are to get to know more in detail whether it is operationally feasible on a day-to-day basis, to figure out follow-up by automatic system-generated short message service (SMS) as the reminders to delinquent clients' mobile phones and to formulate a procedure and instruction on how to effectively follow-up and put flags reminders in the calendar of collection personnel.

### **5.3 Needs for Further Study**

The use of Linkert scale on the survey itself posed a problem of consistent and justified results. The respondents may have different perception and interpretation on the same question, and rank differently on the Linkert scale even though they have same degree of acceptance on the questionnaire. The survey should be done again in more detail and more inclusively bank-wide.

The survey and questionnaire should be prepared and conducted with management's involvement and support.

Therefore there is a lot more to do better in the survey works to enhance the positive findings and cover the gap and drawbacks of the survey and analysis.

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# **APPENDIXES A**

## **QUESTIONNAIRES**

This questionnaire has statements regarding the influencing factors of effective debt collection in Yoma Bank. Kindly take few minutes to complete the questionnaire as guided. Please be assured that your responses will be handled anonymously and ethically. Please put a (✓) mark to indicate your preference. We are grateful upon your participation.

### **Part (1) Demographic profile Analysis**

#### **(1) Gender**

- Male  Female

#### **(2) Age**

- Under 20 years  21 to 30 years  
 31 to 40 years  41 to 50 years  
 Above 50 years

#### **(3) Marital Status**

- Single  Married

#### **(4) Educational Qualification**

- Diploma/College Level  Under Graduate  
 Graduate  Post-Graduate  
 Master

#### **(5) Job Position**

- Officer/ Collection Officer/ SME Specialist/ or equivalent  Assistant Manager  
 Associate Branch Manager  Manager/ Senior Manager/ Branch Manager

Other

**(6) Years of experience in the financial services sector? (Including the years with Yoma Bank)**

Less than 1 years

2 to 3 years

4 to 5 years

6 to 10 years

Above 10 years

**(7) How many years have you been already employed in Yoma Bank?**

Less than 1 years

2 to 3 years

4 to 5 years

6 to 10 years

Above 10 years

**(8) Years of Experience as a Collection Personnel or participated in the collection work of Yoma Bank**

Less than 1 years

2 to 3 years

4 to 5 years

6 to 10 years

Above 10 years

## Part (2)

### Questionnaires on Effectiveness of Collection Practices on the Loan Recovery of Yoma Bank

Please indicate the levels of agreement on each of the following statement by making a (✓) mark in the appropriate box.

#### SECTION A: Collection Structure and Resources

##### (9) Collection Structure and Segmentation

Yoma Bank operates a decentralized early cycle collection model for some segments and a centralized late cycle collection and recovery model. Yoma Bank segments delinquent customer accounts by:

- a) Corporate & Global Trade Finance
- b) SME
- c) Digital
- d) Star City and Housing
- e) Hire Purchase (Non-Dealer Guaranteed)
- f) Hire Purchase and AFP Hire Purchase (Dealer Guaranteed)
- g) Yoma Trade Guaranteed
- h) Agri unsecured

**Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree**

No	Survey Question Items	1	2	3	4	5
1	Due to early cycle collection (1 <sup>st</sup> cycle from day-1 to 30 days) model, the success rate of debt collection from delinquent accounts is high.					
2	Decentralized early cycle collection model for some segments enables the collection team and business team (branches) more focused on corresponding delinquent accounts.					

<b>3</b>	Collection by segmentation such as Corporate, SME, Digital, HP, etc. enables more effective collection.					
<b>4</b>	If the delinquent clients are consistently chased for payment, the chances of getting payment becomes higher					
<b>5</b>	The accounts unable to clear the past-due amounts in the 1 <sup>st</sup> & 2 <sup>nd</sup> cycles (i.e. from day 1 to 60) are more likely to become default NPLs.					

**(10) Resources: Number of Staffs and their Salaries**

**Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree**

<b>No</b>	<b>Survey Question Items</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	The bank has employed sufficient number of staff for the debt collection at the branch and head office.					
<b>2</b>	The branches have assigned staffs for debt collection and related follow-ups.					
<b>3</b>	The bank ensures that the employees of the bank are well paid to prevent corruption issues.					
<b>4</b>	The bank clearly articulated in HR policy that the corruption is NOT allowed.					
<b>5</b>	The bank made clear instruction to collection personnel that no cash deposit or transfer of payment from delinquent clients into their own personal bank account.					

**(11) Resources: Allowances for Air-time, Transportation allowances and Transports**

**Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree**

No	Survey Question Items	1	2	3	4	5
1	The bank provides allowance for air-time (phone-bills) to the collection officers for making the follow up calls.					
2	Because of the bank's support on the Air-time, the collection personnel can follow up the delinquent clients more effectively.					
3	When the collection personnel need to meet with the client or go for field calls, the banks allows to use the bank's vehicle or an alternative way of transportation.					
4	The bank provides transportation allowances & accommodation when the collection personnel need to go collection trips.					
5	With the support of bank for the transportation, allowance and accom- modation in field calls, the collection personnel can concentrate on the collection work.					

## SECTION B : STAFF COMPETENCY & RELIABILITY

### (12) Staff Competency

Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree

No	Survey Question Items	1	2	3	4	5
1	The bank gives training on collection procedures and practices to the collection officers.					
2	Every new collection officer receives induction training on the collection works.					
3	Learning about the duties and proper behavior in the collection work is included in the training.					
4	The bank encourages knowledge and information sharing among departments, branches, in so doing, staff competency is improved to better perform his role.					
5	The bank ensures the collection personnel know well on how the repayment, interest and penalty are accrued in the loan products.					
6	The collection personnel feel appreciated by the bank as they become more competent and supportive to the delinquent clients.					

**(13) Staff Reliability**

**Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree**

No	Survey Question Items	1	2	3	4	5
1	The bank puts utmost priority on ethic at work and hence provide a compulsory “Code of Conduct” training to every employee once engaged.					
2	The bank shows the trust on the collection personnel after the proper guidelines, trainings and payment receipt systems are in place.					
3	As the collection personnel are more reliable, they can be delegated more on some level of action and decision making.					
4	The more the collection officers are delegated and trusted, the better their performance in collection and customer dealing.					
5	The bank upholds the staff reliability by sharing the incidents of misconduct and how the person involved are taken disciplinary action.					

## SECTION C : SYSTEMS & TECHNOLOGY

### (14) Core Banking and Collection Systems

Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree

No	Survey Question Items	1	2	3	4	5
1	The bank has invested in the Core Banking System (CBS) that unifies processes, - products, services and transactions.					
2	The bank's core banking system supports the seamless workflow of bank and single-view of customer data across all branches.					
3	The CBS promotes staff competency and minimizes the human intervention thereby reducing errors.					
4	The CBS has scalability to expand resources, products and is compatible with other systems.					
5	The core banking and collection systems can assist collection personnel to enhance their performance and productivity.					
6	The core banking provides more accurate client's total outstanding arrears, hence collection personnel can save data workout time.					

## SECTION D : DELINQUENCY MANAGEMENT

### (15) Delinquency Management

Index: 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strong Agree

No	Survey Question Items	1	2	3	4	5
1	The collection teams daily tracks the delinquent accounts and follow up with clients daily.					
2	The collection officers contact the clients by phones for late payment since past-due day-1.					
3	The Branch Manager sends the 1 <sup>st</sup> reminder notice letter to client's address, in the first 14 days- past-due.					
4	If the account is not paid all past-due amounts until the expiry of 1 <sup>st</sup> notice, the Branch Manager issues the 2 <sup>nd</sup> reminder notice to the client to pay in full within 14 days.					
5	If the account is not paid in full past-due amounts until the expiry of 2 <sup>nd</sup> notice, the Branch Manager issues the 3rd reminder notice to the client to pay in full within 14 days.					
6	The bank collection personnel follow up and meet with clients to resolve the past-due amounts from past-due day 1 to 60.					
7	The collection teams from branches and Head Office (HO) share each other					

	the related delinquent accounts info and work together as team in meeting with clients.					
<b>8</b>	The collection team from Head Office takes over when the past-due days becomes above 60 days, or as specified in the collection policy.					
<b>9</b>	The collection team from Head Office closely follows up and meets up with the clients to get scheduled payments.					
<b>10</b>	The collection team meets all clients above 60 dpd and records their Promise-to-Pay (PTP) in the system and monitor the PTPs.					
<b>11</b>	The collection team prepares the monthly (Non-Performing Loan) NPL reports for the NPL Committee Meeting.					
<b>12</b>	The Bank manage all NPL accounts on the monthly NPL committee and decide next actions for NPL accounts.					
<b>13</b>	According to NPL committee instruction, Collection Team pushes for payment schedules, helps to restructure the account, or assists for refinance or recall the loan.					
<b>14</b>	If the NPL clients are unable to settle or unwilling to settle the loan, the collection team tries to resolve with client and repossess the collateral by giving a legal power.					

**SECTION E : EFFECT ON DEBT COLLECTION**

**(16) Effect on debt collection results due to collection practices**

No	Survey Question Items	1	2	3	4	5
1	Collection in the first 30 or 60 days of past-due and the collection by segmentation results in better collection results.					
2	The number of collection staffs and the Bank’s support to their collection work directly influence the results of collection in terms of resolved accounts and cash collected.					
3	The collection training provided to the collection personnel is valuable and effective, having a positive impact on the accounts handled and cash collected.					
4	The competency and reliability of collection personnel greatly determine the repayment & cooperation of default clients.					
5	Having the core banking and collection systems facilitate the single-view of user account and hence collection staffs can work.					
6	Timely reporting, decision support and action-log features of the collection systems improve the delinquency management and kept-promise rate.					
7	Monitoring of delinquency reports and					

	consistent follow-up lead to higher control over default accounts and more cash repayments.					
<b>8</b>	Depending on clients' individual repayment condition, the bank supports the clients in the most appropriate options such as rescheduling, grace period, refinancing, or recalling loans result in effective debt collections.					
<b>9</b>	The monthly reporting of delinquency and NPL facilitates timely critical decisions of Head of Collection, CFO, CRO and CEO, thereby affecting the collection in a productive way.					
<b>10</b>	In the event that the clients is completely unable to pay his arrears, repossessing of client's collateral is a legal transfer of right to the bank to sell the collateral in lieu of debt repayment. Hence repossession, also known as Debt-Asset-Swap, is an alternative form of collection.					

**APPENDIX B**  
**SPSS OUTPUTS**

Variables Entered/Removed <sup>a</sup>			
Model	Variables Entered	Variables Removed	Method
1	Q15, Q9, 10, 11, Q14, Q12, 13 <sup>b</sup>		Enter
a. Dependent Variable: Q16			
b. All requested variables entered.			

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.294	4	4.074	56.695	.000 <sup>b</sup>
	Residual	5.964	83	0.072		
	Total	22.258	87			
a. Dependent Variable: Q16						
b. Predictors: (Constant), Q15, Q9, 10, 11, Q14, Q12, 13						

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
Collection Policy & Resource	88	3.000	4.467	3.701	0.447
Staff Competency & Reliability	88	2.545	4.636	3.681	0.563
Systems & Technology	88	2.500	5.000	3.903	0.612
Delinquency Management	88	3.000	4.929	3.847	0.527
Effective Debt Collection Practices	88	2.7	4.8	3.716	0.506
Valid N (listwise)	88				

Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.192	0.274		0.698	0.487
Collection Policy & Resource	0.237**	0.080	0.210	2.961	0.004
Staff Competency & Reliability	0.518**	0.075	0.577	6.887	0.000
Systems & Technology	0.045	0.064	0.055	0.709	0.480
Delinquency Management	0.146*	0.080	0.152	1.831	0.071
N= 88                      R <sup>2</sup> = .856      F = 56.695                      P-value = 0.000					

Source: Survey Data (2019), SPSS Output

Dependent Variable: Effective Collection Practices

Note: Statistical significance    \*\* : 1% level    \* : 10% level