

Report On  
**Collection Process of Loan of IPDC Finance Limited**

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School  
BRAC University  
January 2020

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Pranta Paul**  
Student ID- 15304030

**Supervisor's Full Name & Signature:**

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**Ahmed Abir Choudhury**  
Lecturer, BRAC Business School  
BRAC University

## **Letter of Transmittal**

Ahmed Abir Choudhury  
Lecturer,  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of report on ‘Collection Process of Loan of IPDC Finance Limited’.

Dear Sir,

As per requirement for the completion of the course BUS400, here I am presenting internship report titled ‘Collection Process of Loan of IPDC Finance Limited’.

I have given my best effort to prepare the report with the detailed information as much as possible to disclose. Based on gathered information, I have recommended some ways to improve the collection process.

I believe this report will meet your requirements.

Sincerely yours,

---

Pranta Paul  
Student ID: 15304030  
BRAC Business School  
BRAC University  
Date: 6<sup>th</sup> January, 2020

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between IPDC Finance Limited and the undergraduate student of BRAC University, Pranta Paul. The purpose is to prevent disclosure of confidential information of the company without approval. Both the parties agree to keep sensitive information confidential and non-disclosed during study of the topic. As a financial company, IPDC Finance Limited has obligations of not sharing confidential information of internal strategic policy and clients. Maintaining confidentiality of sensitive information, this report has been made.

### **Student's Full Name & Signature:**

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**Pranta Paul**  
Student ID- 15304030

### **Supervisor's Full Name & Signature:**

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**Nasim Reza**  
First Assistant General Manager, Operations  
IPDC Finance Limited

## **Acknowledgement**

I thank IPDC Finance Limited, a leading Non-Bank Financial Institution, for giving me opportunity to work for them. While working for them, I got chance to experience how operational internal processes run in an NBFI. This has helped me to gain practical knowledge about finance company. My professional skills have been developed which include maintaining professional relationship, learning corporate ethics and adapting with company culture. I am thankful to all the professionals who helped me to learn during my internship period.

I express humblest gratitude to our honorable faculty and my academic supervisor Mr. Ahmed Abir Choudhury. He has instructed to present information through flow chart to make the report easier to understand. He has also encouraged me to find better ways which are applicable to IPDC Finance Limited, through studying secondary data. For his cooperation and guidance, it has been possible for me to prepare this report.

This experience is my first step to professional world and for that it will be a memento to me. I acknowledge all of your guidance with gratefulness.

## **Executive Summary**

In this report, collection process from of loans of operation department of IPDC Finance Limited has been described. This provides insight about that collection process of Non-Bank Financial Institution (NBFI) differs from traditional commercial banks. In three parts, this report is mainly divided. First part contains description about different types of loans like home loan, auto loan, which helps to know starting process collection process. In second part, various mode of collection like post-dated cheque, standing instruction, direct debit instruction and one off cheque deposit are discussed. Dishonor cheque management is also described here. Some ways of to improve the collection process are recommended in the third part which include educating the customer, decentralization of post-dated cheque entry, maintaining register for vault and better communication with relationship manager. These recommendations will make the process smooth through automation, ensuring proper flow of information and keeping track of cheque.

# Table of Contents

<b>Declaration.....</b>	<b>ii</b>
<b>Non-Disclosure Agreement .....</b>	<b>iv</b>
<b>Acknowledgement .....</b>	<b>v</b>
<b>Executive Summary .....</b>	<b>vi</b>
<b>Table of Contents .....</b>	<b>vii</b>
<b>List of Figures.....</b>	<b>ix</b>
<b>List of Acronyms .....</b>	<b>x</b>
<b>Glossary .....</b>	<b>xi</b>
<b>Chapter 1 Introduction.....</b>	<b>1</b>
1.1 Methodology .....	1
1.2 Limitation of the Study .....	2
1.3 Literature Review.....	2
1.4 Company Overview .....	4
<b>Chapter 2 Loans of IPDC Finance Limited.....</b>	<b>5</b>
2.1 Home Loan.....	6
2.2 Auto Loan .....	7
2.3 Consumer Loan .....	8
2.4 Corporate Loan .....	8
<b>Chapter 3 Collection process .....</b>	<b>10</b>
3.1 Overview .....	10

3.2 Place of Keeping Collected Fund .....	10
3.3 Role of Relationship Manager .....	11
3.4 Action for Unsuccessful Fund Transfer.....	11
3.5 Post-Dated Management.....	11
3.6 Standing Instruction (SI).....	13
3.7 Direct Debit Instruction (DDI).....	13
3.8 One off Cheque Deposit.....	14
3.9 Dishonor Cheque Relodge .....	14
<b>Chapter 4 Recommendation .....</b>	<b>17</b>
4.1 Educate the Customer .....	17
4.2 Decentralize the Entry System of PDC.....	18
4.3 Cheque Register for Vault .....	19
4.4 Better Communication with Relationship Manager .....	20
<b>Conclusion .....</b>	<b>21</b>
<b>References.....</b>	<b>22</b>



## List of Figures

Figure 1: General process of loan. ....	7
Figure 2: Starting of collection process from loan.....	9
Figure 3: Flow of collection process.....	16
Figure 4: Decentralization of PDC entry. ....	19
Figure 5: PDC register maintenance in vault. ....	20

## List of Acronyms

IPDC	Industrial Promotion and Development Company
NBFI	Non-Bank Financial Institution
PDC	Post-Dated Cheque
CBS	Core Banking Software
DDI	Direct Debit Instruction
SI	Standing Instruction
SCB	Standard Chartered Bank
EMI	Equal Monthly Installment
RM	Relationship Manager
AKFED	Aga Khan Fund for Economic Development
BEFTN	Bangladesh Electronic Fund Transfer Network
EDMS	Electronic Data Management System

## **Glossary**

Direct Debit Instruction (DDI)	A Direct Debit Instruction is an authorization from your customer to collect future payments.
Non-Bank Financial Institution	A Non-Bank Financial Institution (NBFI) is a financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency.
Post-dated Chque	In banking, a Post-Dated Cheque is a cheque written by the drawer (payer) for a date in the future.
Standing Instruction	Standing instructions are a way of making an automatic payment of a fixed amount to a loan, bill, or credit card at the same time every week or month.

# **Chapter 1**

## **Introduction**

Collection process is an integral part of a financial institution. Through collection process, the company collects the disbursed loans from borrowers. The process has to be smooth and efficient, otherwise cash inflow of the company will be hampered and this will effect company's overall process negatively. For example, without inflow of fund, loan cannot be disbursed as well which negatively impacts profitability of company. Smooth collection process boosts the company's reputation by eliminating various problems like less collection or excess collection of payable amounts. For less collection company lose interest and for excess collection company lose reputation. This also increases the customer satisfaction because they do not have to face any hassle. IPDC Finance is a Non-Bank Financial Institution (NBFI). Collection process of NBFI differs from commercial banks. Moreover, from my experience, I can say, to gain trust of customers, NBFIs have to provide better service than commercial banks as concept of NBFI is relatively new to many people outside of Dhaka.

In this report, I have presented the collection process IPDC Finance which I learned during my internship period. While working, I realized there are some areas of improvement in the collection department. That is why, I have recommended some ways which are applicable to those areas.

### **1.1 Methodology**

My topic is "Collection Process of Loan of IPDC Finance Limited" which is selected by my office supervisor. This is a qualitative research. For knowing about starting of collection process, I have studied the loans offered by IPDC Finance from website and recent annual reports of IPDC Finance Limited. Then, I have observed the collection process thoroughly during my internship period. Moreover, I have collected information from the officers of

collection department as much as possible for them to disclose. Based on my observation and information collected from responsible officers I have made a flowchart of collection process. Additionally, I have taken opinion of officers of collection department to know ways of improving existing process. I have also studied reports and case of other companies which has helped me to come up with some recommendations to boost the efficiency of collection process.

## **1.2 Limitation of the Study**

To prepare the report, I have faced following limitations:

1. As I have prepared the report on internal process, there is restriction to reveal internal information of the company. Moreover, as the company is financial company, there is concern for maintaining confidentiality. So not getting detailed data of the company's internal information is a limitation of the study.
2. There are very few reports available in the internet on internal process of financial institutions. For that, I have not found enough article on this topic to collect secondary data.

## **1.3 Literature Review**

To work on collection process I have gathered information on loans offered by IPDC Finance to know starting point. For that, I have read annual report of year of 2018 of IPDC Finance. As a listed company, it is mandatory for IPDC Finance to publish an annual report. In report, the overview of the company, products of the company, risk management, value creation activities etc. Most importantly, financial highlights are presented (IPDC Annual Report , 2018). In Financial highlights parts, balance sheet, income statement and ratio analysis are presented. In report, there are pages describing products where loans are also included. Additionally, for updated news I have gone through the website of IPDC Finance (IPDC Finance, n.d.). In the

website, I have read the interview of CEO of IPDC Finance, Mominul Islam to get detailed insight of strategy (Islam, 2019). I have also read the requirements, terms and conditions of getting loan. For describing loans of the IPDC Finance these were the best available sources.

Next, I have studied “Best Practice in Collection Strategies” published by “ACCION International” which is global nonprofit organization. They provide financial advisory solutions. This article is based on Micro Finance Institutions (MFI). As it is a financial institution, I have tried to relate it in this report. In the article, they have advised to evaluate the borrower at first. Then they have suggested how to collect lent amount from delinquent borrowers (Best Practices in Collections Strategies, 2008). Their advices include restructure, refinancing and seizing goods etc. They have also advised to educate borrower, hire third party collection party and segment the borrowers and treat them accordingly. For example, who are willing to pay but unable, they should be helped according to the article (Best Practices in Collections Strategies, 2008). This article has given me a way of improvement of collection process which can be applicable to IPDC Finance.

Lastly, I have studied a case of Standard Chartered Bank (SCB) related to postdated cheque management. The case is developed by Business Automation Limited (BAI). SCB was facing challenge in terms PDC management because they had to manage it manually which was time consuming (Standard Chartered Bank Bangladesh). BAI develops a model which enables authorized users so that they can check whether cheque is honored or not. Moreover, cheques can be cleared in customer’s flexible dates instead of clearing in some specific date determined by bank. This system gives more security controls and eradicates manual data entry (Standard Chartered Bank Bangladesh).

## 1.4 Company Overview

IPDC Finance started its journey as first private sector financial institution of the country in the year of 1981 (IPDC Annual Report , 2018). IPDC Finance helped some companies to be established their as pioneer in their sector like GMG, the first private sector airlines, Ekushe TV- the first private sector TV channel (IPDC Finance, n.d.). IPDC Finance always encourage innovation and welcome new things. That is why, they helped to establish first institutional venture capital in Bangladesh (Islam, 2019).

Initially, it was named as Industrial Promotion and Development Company of Bangladesh Limited (IPDC Annual Report , 2018). IPDC were formed from the support of Commonwealth Development Organization, the Aga Khan Fund for Economic Development (AKFED) and also the Government of Bangladesh, World Bank Groups, International Finance Corporation and German Development Organization (IPDC Annual Report , 2018). They got listed in the public company in the year of 2006. AKFED sold its share to BRAC which made them the biggest shareholder of the company. By using the wide network of BRAC, IPDC Finance boosted its business (Islam, 2019). They relaunched the brand in the year of 2016 to focus on youth customers and retail business.

They are upgrading themselves with dynamic technological environment. This is reflected in upgradation to new Core banking Software (CBS), Temenos T24 which will foster automation (IPDC first NBFIs to implement Temenos T24 CBS, 2019). Moreover recently, they have launched a block-chain technology based supply chain platform Named ‘Orjon’ in collaboration with International Business Machines Corporation (IBM) (IPDC rolls out blockchain-based supply chain finance platform, 2019). Under the system, small enterprises across the country will get loans easily and at a lower cost as the platform will do away with existing manual process. Small enterprises will get low cost loans without any hassle with the

help of this platform. The network will regularly check the ensuring of all copies of database at the same time (IPDC rolls out blockchain-based supply chain finance platform, 2019).

IPDC finance is growing rapidly. They reached two thousand and one hundred and eighty one more customers in 2018 than previous year (IPDC Annual Report , 2018). In last seven years, they launched nine new branches (Islam, 2019). For growing, they have not compromised corporate governance for growing. For this reason, IPDC Finance has been awarded “Superbrand-Bangladesh Awarded 2018’ as first NBF of Bangladesh (IPDC Finance wins Superbrands Award, 2018).

## **Chapter 2 Loans of IPDC Finance Limited**

IPDC Finance Limited focuses on retail products which are home loan, auto loan, personal loans & consumer white goods loan etc. IPDC also provide loans on in business which are divided into corporate loan and SME loan. IPDC focuses on retail products because the risk associated with these products is comparatively low according to the employees of IPDC. Moreover, purchasing power of Bangladeshi people is gradually increasing (The Daily Star, 2019). That is why, there is opportunity of retail products which is reflected in their performance. They are now fastest growing financial company now (IPDC Annual Report , 2018). IPDC also finance in business to grow in size. Actually at the beginning, IPDC financed in such companies which are pioneer in their sectors. They financed in Apollo hospital, Citycell, the first private sector telecom company, Fantasy Kingdom, the first theme park. Holcim-the first preference share investment, Summit-the first independent power producer, DBH-the first housing finance company and Scholastica-the first institutional investment in private sector education (IPDC Finance, n.d.). So it is seen that, IPDC has strong heritage in investing in business. NBF like IPDC has competitive loan processing efficiency because of their scope of specialization in their products rather than commercial banks which have to look



after vast activities. The loans offered by IPDC are described below to give the insight of starting of collection process-

## **2.1 Home Loan**

One employee of IPDC said, home loan is the main strength IPDC. Recently, IPDC has disbursed five hundred files which is reflection of the attractiveness of this product. IPDC's slogan in home loan is 'A home for Every Family'. IPDC offers up to 90% coverage of total property value (IPDC Finance, n.d.). But the IPDC mainly invest in readymade house. If house is not readymade, then they make a tri-party agreement where developer is involved. Then, developer provides the necessary security of the loan. In this case, the developer has to be top class. Otherwise, security of loan will be at stake. In 2019, IPDC has launched affordable home loan (IPDC Finance, n.d.). In this category, if a person earns consistently at least 20,000 BDT monthly, then he or she will be eligible for taking this loan. Affordable home loans are normally offered outside of Dhaka & Chittagong. As IPDC has only 14 branches, they collaborated with BSRM steel & M. I. cement (Islam, 2019). For regular home loan, non-government employee borrower should have salaried BDT 40,000. For security of job, government employee should have salaried 25,000 BDT and a businessman should have income of 50,000 BDT (IPDC Finance, n.d.). Normally, IPDC disburse the loan to manufacturer of the house.

For working in operations, I have experienced, for getting home loan, borrower has to submit some documents for security. To prove the compliance, borrower have to submit the building plan and permission of the regulatory authority such as RAJUK. To prove the occupancy, borrower has to submit deed of ownership and purchasing documents. Customer also has to submit the receipt of equity payment. Moreover, borrower has to provide personal guarantee, valuation of assets. Borrower has to show who will continue the repayment of loan after his or her death. The interest rate is floating. So, IPDC has authority to change the interest rate later

which will change the installment amount. Normally, equal monthly installments (EMI) of home loan are collected through postdated cheques (PDC) and direct debit instruction (DDI). These instruction regarding this has to be sent to IPDC at the very first.

## 2.2 Auto Loan

Auto loan is another prominent product of IPDC. The IPDC offers it for purchasing brand new car and reconditioned vehicle. The car has to be unregistered and the ownership will be with IPDC Finance on account of borrower (IPDC Finance, n.d.).

For security of loan, borrower has to submit documents of registration, fitness certificate. The car will be jointly registered in the name of both IPDC Finance and borrower (IPDC Finance, n.d.). Fitness certificate is important, because until repayment of loan, the ownership will be with IPDC Finance. For corporate borrower, board resolution for taking loan has to be shown. Moreover, the car have to insured in the insurance company which are selected by IPDC Finance. Other service charge have to be paid prior to disbursement of Loan (IPDC Finance, n.d.). After finishing mentioned formalities, IPDC Finance will issue a pay-order in favor of seller of car (IPDC Finance, n.d.).

For payment of loan, borrower will have to provide PDC representing the EMI amount along with one undated cheque for entire amount including interest and charges. Undated cheques are normally security cheques. When borrower break any rules of taking loan or situation arise to take any legal action, undated cheque are placed.



*Figure 1: General process of loan.*

## **2.3 Consumer Loan**

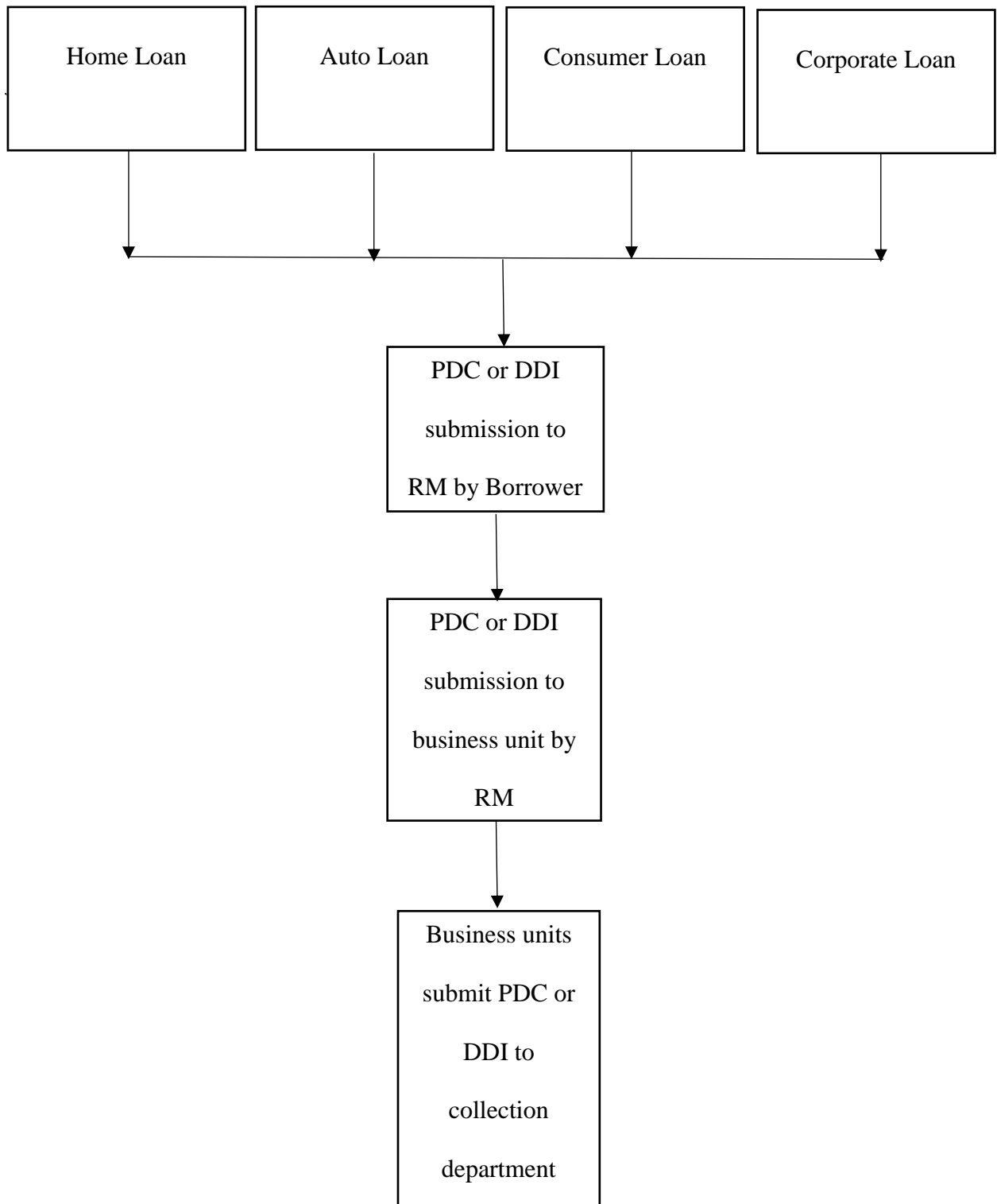
IPDC Finance also offers loan for purchasing product from Transcom Electronics. Against invoice of purchase, IPDC Finance provide loan for loan for purchasing those products. Collection of loan happens through PDC and DDI.

## **2.4 Corporate Loan**

IPDC finance offers Full spectrum of corporate finance services to both public and private companies (IPDC Finance, n.d.). The loans which are collected through operation collection department are described below-

Lease Financing: This is offered to purchase industrial machineries, commercial equipment etc. For existing machineries and equipment this service is also available. The business should be aged 3 years at least to be older (IPDC Finance, n.d.). Financing is up to 100% of the value of the product. By matching with cash flow of the company, the installment frequency is fixed.

Term loan: There are two types of term loan which are short term and long term. Short term loan is offered for 1 year. Tenure of long term loan is 1 to 5 years. Short term loan repayment is structured as per requirement of borrower. Long term loans are offered for long term business planning like upgradation of business, expansion etc. Repayment of loan is done monthly or quarterly (IPDC Finance, n.d.).



*Figure 2: Starting of collection process from loan.*

## **Chapter 3 Collection process**

### **3.1 Overview**

Collection process of a financial institutions plays a crucial role in maintaining the fund inflow. This process has to be smooth and efficient because reputation of the company depends on the process to some cases. Collection process of NBFIs differs from commercial banks in some areas. To begin with, NBFIs do not deposit collected EMI or principle amount in their own account because they do not have such approval from regulatory body. NBFIs have to open account in traditional commercial banks which comainly over draft account. IPDC normally collects money in five main days in which maximum EMI are collected through postdated cheques, direct debit instructions, standing instructions of SCB and one-off cheques. The reason behind these bulk collection is company want to keep a track of inflow of fund. It directs the company when and in which manner to disburse the loans.

### **3.2 Place of Keeping Collected Fund**

One executive of IPDC said that IPDC have over draft account in Standard Chartered Bank. For overdraft facility, IPDC enjoy flexibility of using or withdrawing more money than what they have in their account up to the approved limit. But SCB charges at high interest rate but that rate cannot be disclosed, that executive said. IPDC also take Straight2Bank service from. This service is a platform where client can transact securely through internet. It provides flexibility to client in terms of access to account statement from every corner of the world with internet connection. SCB claims, they maintain highest level security of this system via encryption. IPDC also can use direct debit instructions (DDI) in this platform to collect EMI of loan and premium of DPS. This is done through Bangladesh Electronic Fund Transfer. IPDC also use this platform for real time gross settlement (RTGS) for fund transfer. But this mode is used for disbursement only.

Company also collects money through Dhaka Banks, Prime Banks & other Commercial banks. They have opened current account in those banks. If any customer misses any installment or do not place any cheques or DDI or SI, then that customer can deposit the installment amount (cash) in those banks in the account of IPDC.

### **3.3 Role of Relationship Manager**

Relationship manager (RM) deals with customers. So they fix the transaction mode by discussing with customers. One assistant executive of collection department said that, PDC is more secure than other mode of transactions because it is easier to take necessary legal action in case of overdue of installment.

### **3.4 Action for Unsuccessful Fund Transfer**

A cheque three times dishonored does not mean, there are three overdue. It can happen that when the cheque is placed then the account did not have enough balance during those times; but borrower has paid other EMI payments in due time.

The modes collection and ways of processing them by collection department are described below-

### **3.5 Post-Dated Management**

In IPDC Finance most of the loans are collected through post-dated cheques. It is comfortable for most of the customers because it is the traditional way. But from company perspective it is challenging to manage storage of cheques, because they have to be stored in a safe and systematic way so that they can be found whenever they are needed. Relationship managers (RM) determine in which date, the cheque shall be placed on basis of negotiation with customer. As previously mentioned, maximum EMI collection take place in five dates of month.

First of all they are collected from, business unit. For example, RM of home loan department collect the cheque from the borrowers after completion of all procedures of sanction and disbursement of loan. From the next month EMI starts; for that EMI respective department collects postdated cheques in an envelope and submit to respective dealing officer of collection department. Dealing officer then handovers the envelope of PDC to custody manager for scanning. Custody manager scan them and upload them to electronic database management system (EDMS). This EDMS is very important because every time it is not feasible to check the cheques physically. For number of cheques, bank placement date, sometimes scan copies are examined in EDMS. Most importantly, as proof of cheque submission to dealing officer of collection officer scan copies in EDMS is very important because it is mandatory for collection officer to scan after getting PDC from business unit. To reconcile any mistake in bank placement like cheque date mismatch, EDMS is also important.

After uploading scan copies in EDMS, cheques number, cheque date, amount and number of leaf are entered in the core banking system in the loan account of borrower. This is official acceptance of PDCs. PDCs are kept separately in the vault in date wise; like which will be placed 12<sup>th</sup> date of the month, they are kept separately from which will be placed at 11<sup>th</sup> date or 13<sup>th</sup> date. This system comes helpful when responsible officers want to identify which cheques need to be sent in specific date because they know where to find them. Before sending cheques to bank, they are checked according to data sheet downloaded from to examine every cheques of that date are being sent or not. After examining, they are sent to bank along with deposit slip and deposit in core banking software treasury module. These cheques are sent to SCB. Next day, SCB send back dishonor cheques to IPDC.

### **3.6 Standing Instruction (SI)**

Customer gives this instruction to the banks to pay lender a fixed amount at regular intervals (GOCARDLESS, n.d.). IPDC collects EMI through standing instruction (SI) only from SCB; so SCB account holders can enjoy this facility. This is done as per instruction from managers. After getting email from credit admin, deposit operations and branch operations, collection department update SI database. Here update means, date of execution or collection in every month, EMI amount in the account of borrower. Actually it happens from SCB to SCB. SI data is sorted by date and reconciled against bank statement daily and post transaction for successful fund transfer against SI. For unsuccessful fund transfer against any SI, RM, branch and clients are notified via email.

### **3.7 Direct Debit Instruction (DDI)**

It is an automated system of payment in which, borrowers authorize lender to collect certain amount of money from their bank account (GOCARDLESS, n.d.). In this system in every month, EMI is transferred to IPDC account in SCB from borrower's account in other banks through online fund transfer which is known as Bangladesh Electronic Fund Transfer Network (BEFTN). It takes twenty four hours to transfer fund from one account to another account. For that, IPDC send instruction to collect money from borrower's account one day before collection.

Like SI, in case of DDI, credit admin, deposit operation and branch operation also provide DDI mandate form to collection department. Then, responsible collection officer record DDI mandate in DDI excel data sheet. In data sheet, EMI amount, EMI date and duration of repayment of loan are recorded. On each due date, DDI batch is uploaded to S2B system of SCB. On value date, responsible officers check bank statement and upload transaction batch in CBS for the successful transfer of fund through DDI.



This facility becomes available after the application accepted by IPDC finance. This is accepted if bank account details like availability of funds provided by borrower will match with bank record. Sometimes, due to some technical reason payment amount is not debited in debit date and is delayed by few days. For that, borrowers are requested to make fund available in bank account at least for seven days to avoid dishonor. If DDI is dishonored, borrower have to pay in cash or cheque. If any excess or less than correct amount is debited, the customers have to contact IPDC Finance for clarification. Upon examination, IPDC Finance will settle the issue as soon as possible.

### **3.8 One off Cheque Deposit**

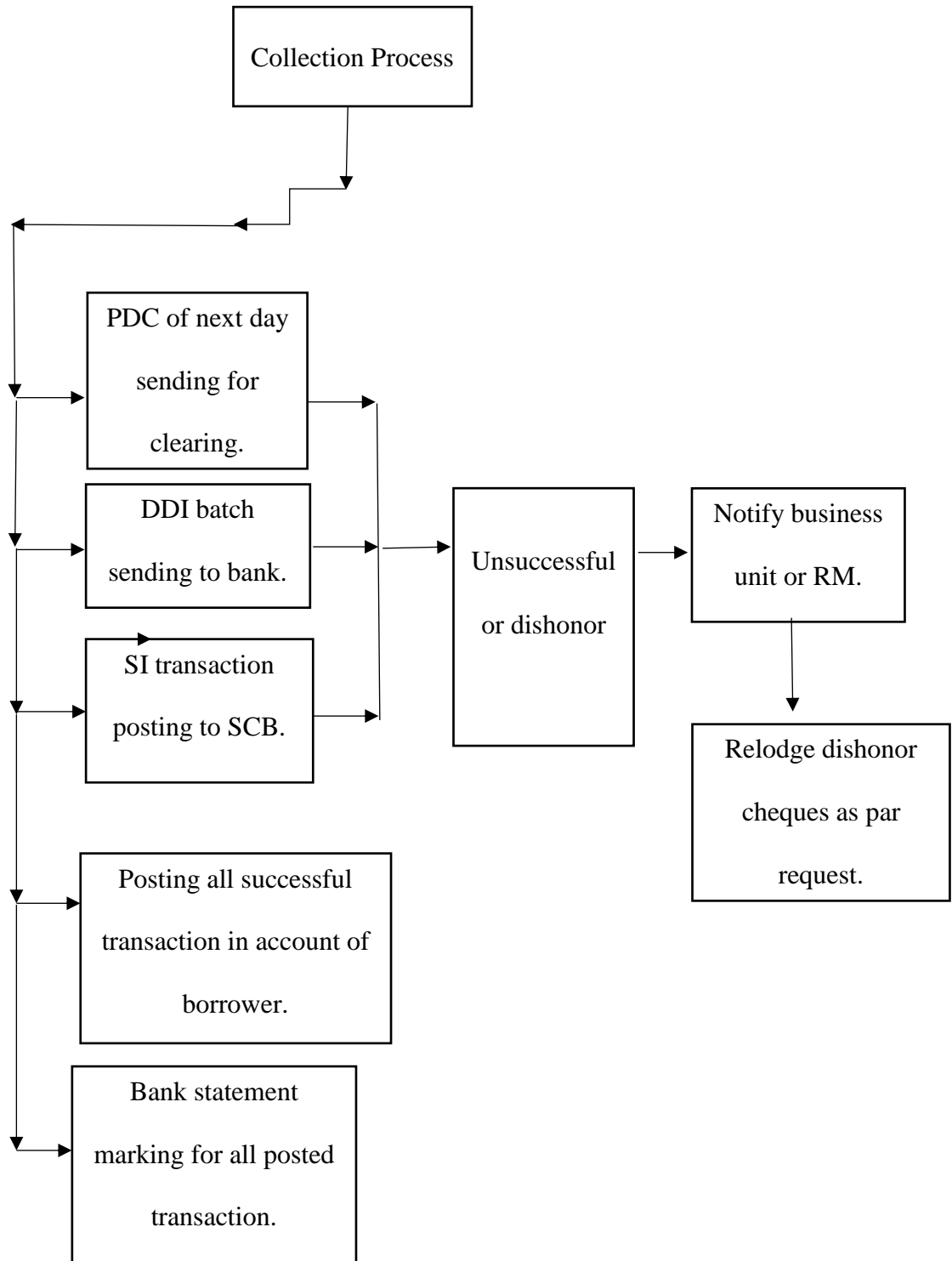
One off cheques are like single cheques provided by borrower to IPDC Finance for serving special purpose. One off cheque deposit happens when payment for certain reason like insurance claim, recovery against non-performing loans, prepayment, excise duty against deposit. Another important reason, after finishing PDC, if EMI still remains to pay, borrowers sometimes provide single cheques one after another instead of giving more PDC together.

After receiving one off cheque, collection officer keeps them in same day envelope to send them to bank for clearing. Transaction are posted in account of borrower, when fund is realized.

### **3.9 Dishonor Cheque Relodge**

When cheque is dishonored, RM communicates with customer to inform that his or her cheque has been dishonored. Then, RM asks customer whether to place the cheque again or not. Sometimes customers say to place the cheque again because they has deposited money in his or her account. Sometimes customers pay in the account of IPDC in others bank. In that case, the dishonored cheques have to be returned to customers. If one cheque is dishonored

three times, then it will become an invalid instrument. In next month, postdated cheque is again placed in due date. When payment is overdue three times, then the IPDC takes legal action against the customer. Business unit has to notify collection department prior to at least three days for any kind of cheque replacement, bank changing issues and DDI mandate change.



*Figure 3: Flow of collection process.*

## **Chapter 4**

### **Recommendation**

Collection department is performing its job which is fulfilling the needs of customers. But there are scopes to add some features which will improve the process of collection. Those features are explained below how they can improve-

#### **4.1 Educate the Customer**

The collection process would be smoother if the customers know the basic loan repayment for their own sake (Best Practices in Collections Strategies, 2008). Normally, many customers face dishonor of their payment because they do not know the when and how much money need to be to be kept in their account to pay the EMI successfully by avoiding overdue. Moreover, customers remain unaware of various charge of loan. Moreover, a cheque becomes obsolete after six months, but many customers want to return their dishonor cheques even after six months. Maintaining those six months older cheques creates burden which can be easily eliminated.

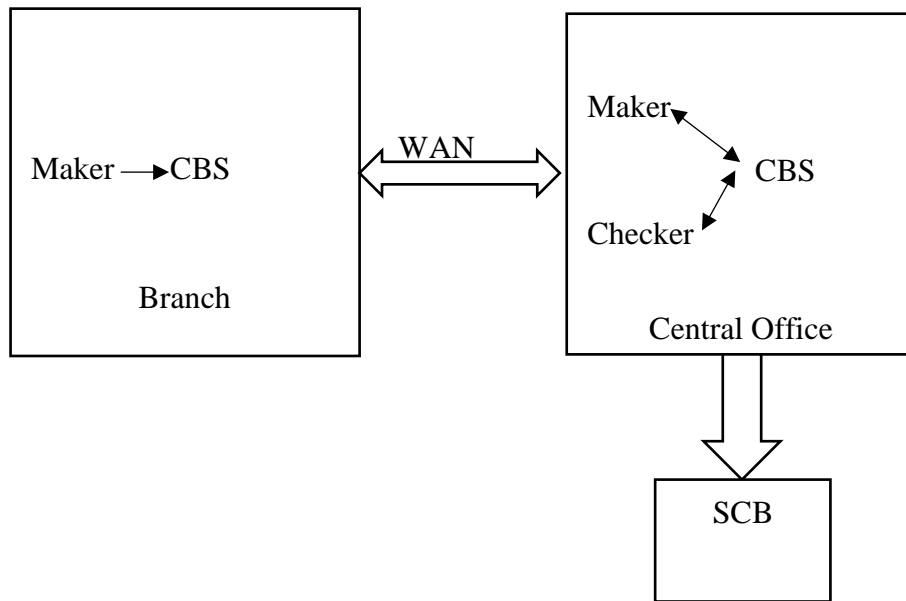
Here, relationship managers can play a crucial role because they deal with customers directly. They can educate that in due date the EMI amount needs to be deposited. Moreover, in case of DDI, the period needs to be seven days. If borrowers avoid facing cheque dishonor, they will not have to pay fine of 1000 BDT. RM also can instruct that there is no need to worry about cheques which are older than six months because they are invalid; so, borrowers do not need to collect back those cheques. Educating does not mean training or something like that. Here, educating will be through discussion in a friendly manner before disbursement before disbursement of loan.

## **4.2 Decentralize the Entry System of PDC**

IPDC Finance mainly collects through PDC which is previously mentioned. PDC management can be improved further in a way which is followed by SCB (Standard Chartered Bank Bangladesh).

This system is developed by Business Automation Ltd. (BAI). Implication to IPDC Finance will not be same; it will require some modification. In this system, local office or branch and central office are connected through Wide Area Network (WAN). In branch office, there will be one user in branch office, which is maker. Maker of branch office will enter the data of PDC in Core Banking Software (CBS). In central office, there will be also another maker like branch office. Along with data, branch office will also send original copy of PDC because they will be placed from central office. Maker of central office will combine the data after downloading from Core Banking Software (CBS) in Microsoft Excel format which are entered into software by branch officer and prepare them for placing to bank. Checker will check the data prepared by maker of central office and finally authorize them for sending for sending to SCB in the overdraft account of IPDC Finance. There will be a system administrator to monitor everything from central office. If any anomalies arise, then system administrator can go through the problem and solve it.

For double checking by branch and central office the possibility of error will be reduced. Moreover, the load of data entry of PDC will be distributed to branch office. They more can focus on accuracy by matching with EDMS of data which are being sent to SCB for clearing.



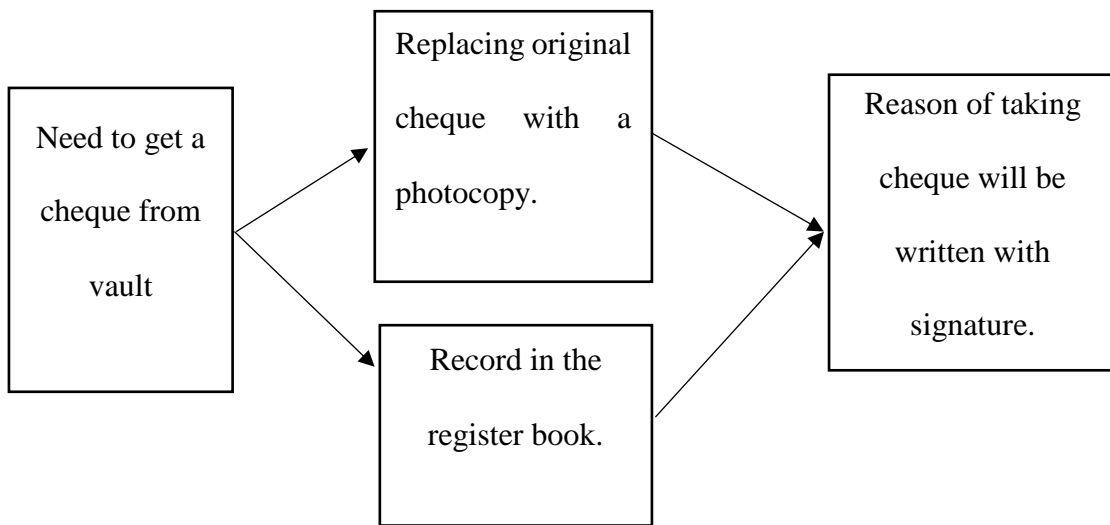
*Figure 4: Decentralization of PDC entry.*

### **4.3 Cheque Register for Vault**

To keep track of cheques there is need for record to know which cheques are being taken out from vault. Because cheques are very sensitive for company. If any cheque is not found during placement it will create problem for company because customer will be charged extra for missing EMI date. But this will not be fault of customer, the company will be responsible for this which will affect company's reputation.

While taking cheque from vault, recording in register could be a way of keeping track of cheques. In register, date, reason of taking cheque out of vault will be written. The officer who will be taking cheque will sign in the register. This system is currently using in managing dishonor cheque which can be applicable for managing PDC as well. Moreover, a photocopy of original cheque should be kept in the place of original cheque. In that photocopy also, the reason of taking cheque out of vault will be written. It will become helpful when another employee will come looking for that same cheque, then he or she will understand why the cheque was displaced by looking at the photocopy.

For example, a cheque is kept in a borrower's PDC envelope with the other borrowers' PDC envelopes in the place separated for placing in the bank 20<sup>th</sup> date of every month. For some reason, one officer need to take a cheque of that borrower's envelope. The officer who will take cheque, will record in the register and keep the photocopy of the cheque in that borrower's PDC envelope.



*Figure 5: PDC register maintenance in vault.*

#### **4.4 Better Communication with Relationship Manager**

Relationship managers can make the operation more fluent in terms of dishonor cheque management issue. RM determine the collection mode, whether it will be PDC or DDI. EMI payment after getting dishonored, many customers tell RM to relodge the cheque. Sometimes, RMs send mail to collection department to relodge cheque which are not in hand of collection department or payment mode is DDI. Sometimes, RMs send mail to hand over the cheques which are already handed over. In these cases, there is no existence of requested cheques. Time is wasted for searching those non-existent cheques.

By more effective communication with RMs can identify payment method of each loan account. In that case, they will send the mail with correct information which will boost the efficiency of collection department.

## **Conclusion**

There is scope for NBFIs in Bangladesh to flourish as many traditional commercial banks are struggling. This report can help the company to understand its problems. If, IPDC Finance Limited improves efficiency in its internal operational collection process, customers will be more attracted to it for decreased hassle.



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