Delivering Continuous Business Benefits

A Case Study On
**Debt Collection & Recovery Management
at a Multi Country South East Asian bank**

The Customer

The customer is a large banking group offering full-fledged consumer banking services across four main operating markets of Malaysia, Indonesia, Singapore and Thailand, plus a growing presence in Cambodia. The bank has a direct presence in Malaysia, Singapore & Cambodia, branch in London and representative office in Shanghai, Yangon and Mumbai. The Bank's Malaysia operations are the largest network for the group with 320+ branches, 7.8 million+ customers and 2,200+ ATMs (2011 data).

Debt Management Challenges

The existing software solution of the bank was not keeping pace with the transaction volume growth, new features, degree of automation and flexibility demanded by the bank for its business growth. The bank's vision of automation and speed of response needed a dynamic and versatile software platform.

A Robust Solution - FinnOne™

Nucleus Software undertook the challenge to innovate the bank's entire debt management process and enable the bank to do its business more efficiently and effectively. As the first step, Nucleus Software team carried out a through gap study and listed the requirements to be addressed by the FinnOne™ Regional Collections and Recovery Management System (RCRS) considering key factors – bank's business growth, asset quality objectives and automation of legal frame work.

A dedicated team implemented the project to automate the entire life cycle of collection and recovery process. This also included the automation of process of legal case allocation to law firms & allocation of cases to lawyers. The immediate result of the implementation was a benefit to the bank in terms of increased **revenue and streamlined process efficiency.**

As a result of innovative processes implemented by the Nucleus Software team, the bank received the Process Excellence Award for Collection / Debt Management by a prestigious global organization in 2013 for showing a high degree of innovation and enterprise in product development, service delivery and process improvement. No wonder, this ended up setting an industry benchmark. On being awarded, a senior executive from the bank said:

"I wish to dedicate the award especially to our project team for their excellent effort and also to the system vendor NSEL for their support in ensuring successful implementation of the debt management system aka RCRS which is an important initiative in to ensure a more effective management of our customer exposure in Malaysia and as well throughout ASEAN."

Continual Value Created: 21% reduction in NPA, Increased MIA [Month to Arrear], Faster turnarounds leading to lower OPEX i.e. lower TCO

Nucleus Software implemented FinnOne™ Regional Collections and Recovery Management System (RCRS) with the objective of minimizing delinquency through a series of proactive actions and tighter supervision across different business units. The **workflow based system** was implemented to enable the Collection and Recovery SBU to manage and monitor cases throughout the collection and recovery lifecycle using a single solution. As a result of the implementation, the bank has observed 21% reduction in the NPA's in their Hire Purchase SBU, a significant improvement in the daily and month-end batch processing duration, a lower flow rate to higher Month in Arrear (MIA) and faster turnarounds leading to lower Opex i.e. lower TCO.

Overall, as a result of the implementation, the bank has experienced increased profitability across different business units, enhanced operational efficiency and better customer experience due to streamlining and automation of process.

Details of the benefits derived on FinnOne™ by the bank

1. Reduction of NPA (Hire Purchase business line) by 21 % Y-O-Y

Period	Non Performing loan After RCRS (2012)	Non Performing Loan before RCRS (2011)
Jan-Oct	358.2 M	434. 3 M

2. Immediate results in the daily and month-end batch processing duration

Since the FinnOne™ system went live in August 2012, the bank registered significant improvements in the month-end batch processing duration. Below are the results:

| Period	DMS [Previous System]	RCRS [Nucleus System]	Improvements
Daily	3.0 – 3.5 hours	1.5 – 2.0 Hours	43 %
Month End	3.5 – 4.0 Hours	1.5 – 2.0 Hours	50 %
1st of Month	6.5 – 7.0 Hours	1.5 – 2.0 Hours	70 %

3. Lower flow rate of accounts to higher Month in Arrear (MIA)

The flow rate is the rate at which the accounts will flow into the next bucket:

Account Ageing	Average Flow Rate %		
	2012	2011	Improvement
0 & below	7.34	7.95	0.61
1.01-2.00 MIA	18.08	18.39	0.31
2.01-3.00 MIA	17.10	17.74	0.64
3.01-4.00 MIA	28.24	30.08	1.84
4.01-5.00 MIA	53.95	58.86	4.91
5.01-6.00 MIA	63.46	68.33	4.87

4. Increased revenue with reduced Total Cost of Ownership

The solution from Nucleus Software resulted in cost reduction as it is capable of handling the entire workflow of collection and recovery system spanning across various line of businesses through a single management system. The system also helped the bank in minimizing delinquencies, thereby reducing the OPEX of the bank.
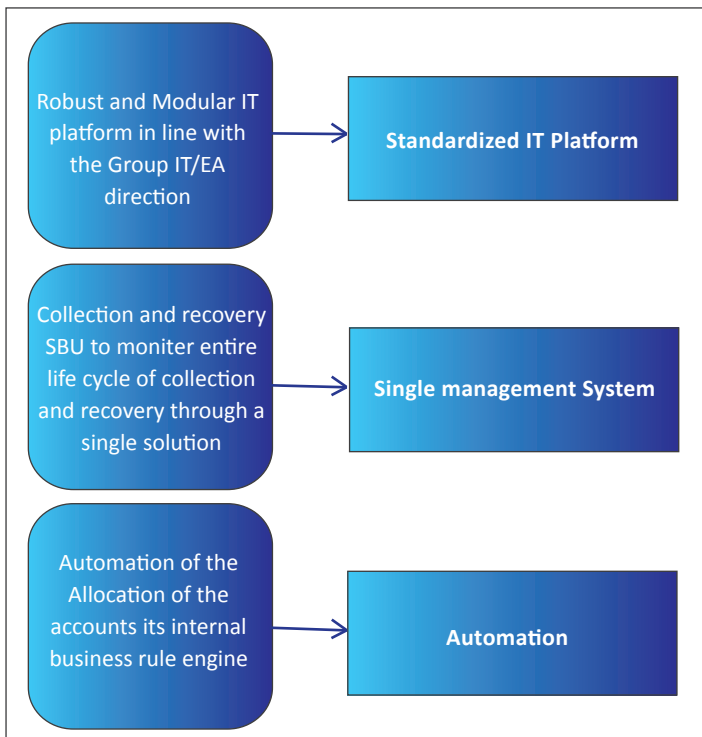
FinnOne™ Collections and Recovery Management System-Key Highlights

With over 27 years of domain expertise, Nucleus Software fully understood the key challenges for the bank and implemented FinnOne™ Collections and Recovery Management System modules to swap the existing system for Collections across different business units. This solution was aligned taking into account key objectives that comprise of:
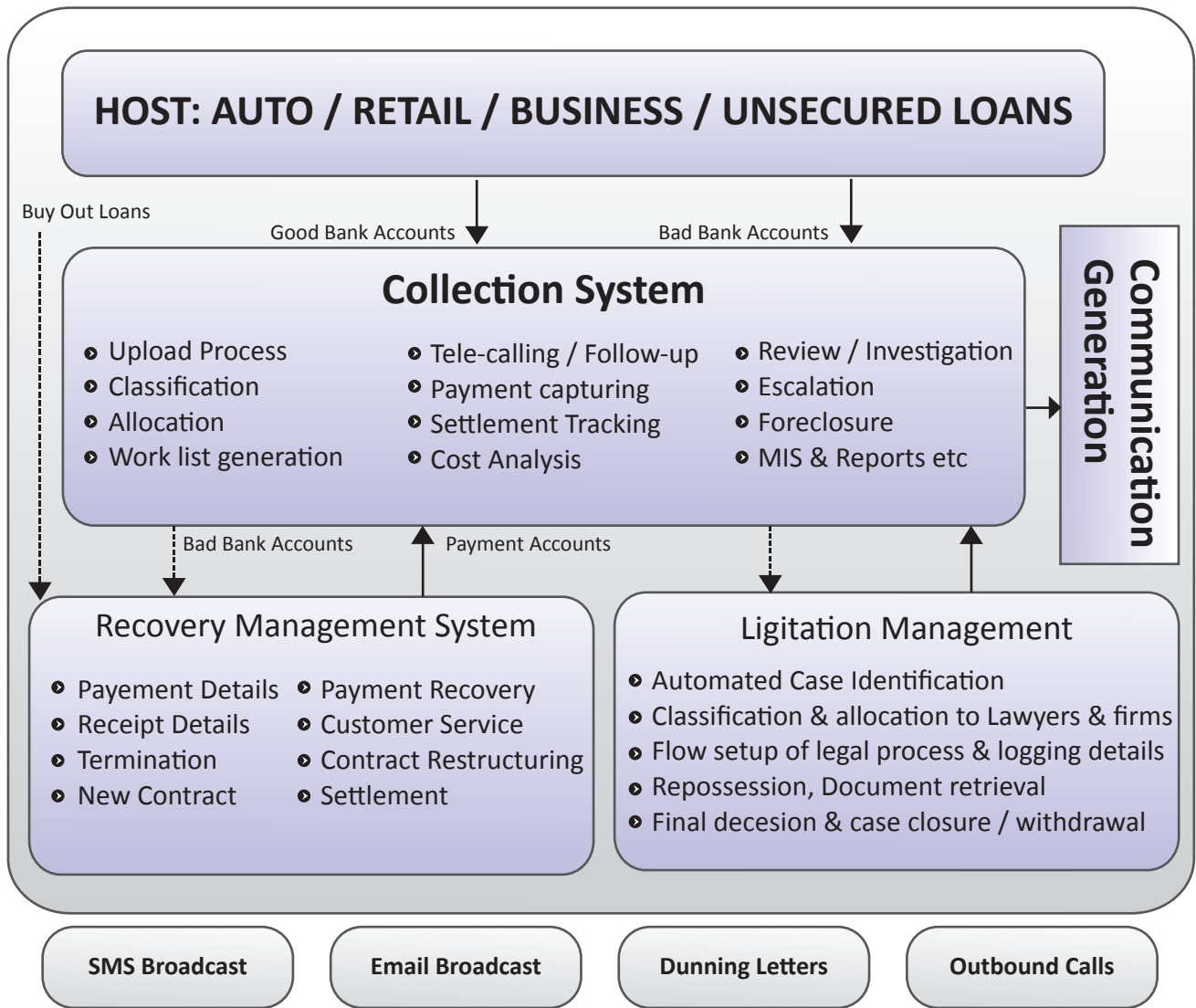
- ❯ Swap the existing Debt management system to support the various line of business across different geographies

- ❯ Cost effective solution to increase revenue with reduced Total Cost of Ownership (i.e. low OPEX)

- ❯ Minimize the delinquencies in the bank through automation of the tracking and monitoring of the bad-debt recovery process

- ❯ Robust and Modular Architecture, which is in-line with the bank's IT/ Enterprise architecture strategy and supports the future needs of the organization

The implemented solution catered to the current as well as future needs of the bank pertaining to Collections and Recovery across various lines of business.

Overview of FinnOne™ Collections and Recovery Management System

The RCRS implemented by Nucleus Software provides the Debt Management capabilities to the bank and is also supporting businesses to manage delinquency. The FinnOne™ Collections System focuses on tracking and managing both delinquent and non delinquent customers.

The system helps the bank minimize delinquency through a series of proactive actions and tighter supervision. The system manages the entire collections lifecycle from soft calling of non delinquent customers to tackling hard bucket collections, including follow up on legal cases till their final closure. FinnOne™ Collections is a unique platform, comprising separate modules to support each stage of the collections lifecycle for ensuring powerful recovery management.

HOST: AUTO / RETAIL / BUSINESS / UNSECURED LOANS

Buy Out Loans

Good Bank Accounts   Bad Bank Accounts

Collection System

- Upload Process
- Classification
- Allocation
- Work list generation

- Tele-calling / Follow-up
- Payment capturing
- Settlement Tracking
- Cost Analysis

- Review / Investigation
- Escalation
- Foreclosure
- MIS & Reports etc

Communication Generation

Bad Bank Accounts   Payment Accounts

Recovery Management System

- Payement Details
- Receipt Details
- Termination
- New Contract

- Payment Recovery
- Customer Service
- Contract Restructuring
- Settlement

Ligitation Management

- Automated Case Identification
- Classification & allocation to Lawyers & firms
- Flow setup of legal process & logging details
- Repossession, Document retrieval
- Final decesion & case closure / withdrawal

SMS Broadcast   **Email Broadcast**   **Dunning Letters**   **Outbound Calls**

The Nucleus Software Advantage
Translating domain expertise into value

Nucleus Software offers differentiated advantages making us a preferred partner for banking and financial organizations worldwide

- 27 years of domain expertise with in-depth customer insight across geographies along with a robust portfolio of products

- We support over 150 customers across 50 countries and multiple time zones with proven multi-country & multi-lingual product implementation capability

- Our Flagship product FinnOne™ has been ranked the No. 1 Best Selling Lending Banking System for the 6th consecutive year. (by IBS Publishing, UK)

- Global recognition for corporate governance practices - Awarded by World CSR Congress and World Finance

---

Nucleus Software Exports Ltd.

A-39, Sector-62, Noida, 201307 U.P., India
P.: +91-120-4031400 **F.:** +91-120-4031672
E.: sales@nucleussoftware.com
W.: www.nucleussoftware.com
Global Offices:
New Delhi | Noida | Chennai | Mumbai | Jaipur | Singapore | Sydney | Tokyo | Seoul |
Amsterdam | London | Manila | New Jersey | Dubai

NUCLEUS SOFTWARE