

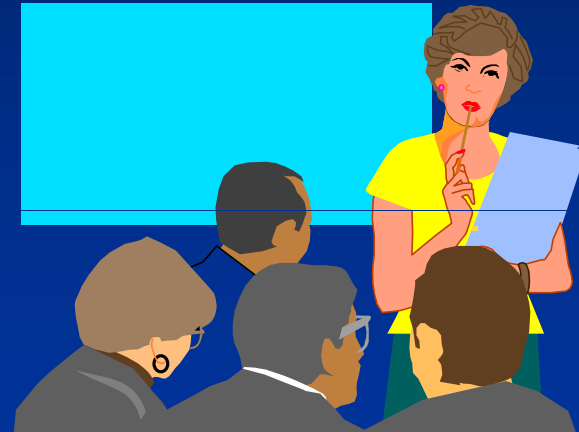
DEBT MANAGEMENT SEMINAR

DATE: 17TH – 19TH AUGUST 2016

VENUE: ACACIA CREST HOTEL -KISUMU

PRESENTER:

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DIRECTOR OF STUDIES
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SUGGESTED GROUND RULES

- *Brainstorm freely*
- *Disagree openly*
- *Be courteous*
- *Speak up or you will be called upon to speak*
- *Take only a fair share of your talk time*
- *Avoid side conversations, let all benefit from your views*
- *Keep time for maximum benefit*
- *Manage your cell phones/tablets, it will pay*



Share a short history



KEY NOTE TO ADDRESS THE FOLLOWING:

- ✓ *Why is the business of credit a problem today?*
- ✓ *Why is there hue and cry in all the sectors about non performing debts?*
- ✓ *Do you think we have solutions to the problem of credit business and debts?*

WHAT IS CREDIT?

Do you understand the 80/20 rule as applicable in credit management?

“Credit, like operating the brain of a human being, is of too delicate nature to be handled with laxity as the injuries inflicted have no subsequent repair”

- Butt Edward- Author "credit management hand book"



FLOW

- 1. Formulae to succeed in credit risk management***
- 2. Canons of bad credit risk management***
- 3. Six cardinal laws of credit/debt management***
- 4. Golden steps to walk in collecting money***
- 5. Commercial conclusion of debts***

1st FORMULA TO SUCCEED IN CREDIT RISK MANAGEMENT

**Understanding your organization
as a business**

The pillars of credit management

- ☐ **Sales**
- ☐ **Profits**
- ☐ **Risk**
- ☐ **Bad debts**

An all round person should understand the above

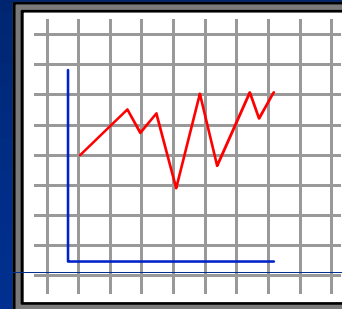
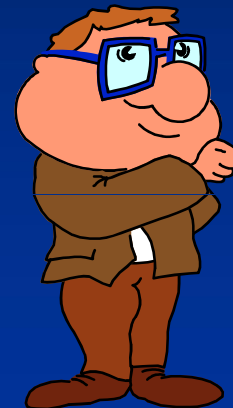
2nd FORMULA TO SUCCEED IN CREDIT RISK MANAGEMENT

The future is not a gift! It is an achievement.

BRANDING YOURSELF

- Cultural change
- Sensitivity to time
- Passion on what you do
- Service delivery
- Responding to changes

if you continue living in the past you will never progress.



- **cont.**

You must pass the painters test!

- **Re-engineer yourself**
- **Do more than normal**
- **Think work and not employment**
- **Be committed to your work**
- **Be reliable**
- **Upgrade yourself**
- **Above all believe in God**

You were born an original- do not die a copy!

3rd FORMULA TO SUCCEED IN CREDIT RISK MANAGEMENT

- **A**nalyze your customer
- **C**onsult widely about the customer
- **C**hange positively to suit the business
- **E**xamine the changes periodically
- **P**ositively carry on the business
- **T**ake a customer at a time

Imitation is limitation

4th FORMULA TO SUCCEED IN CREDIT RISK MANAGEMENT

- THE CREDIT POLICY
- What is a credit policy?


It is a document that **UNITES** all the **INTERNAL/EXTERNAL** departments, by setting **STANDARDS** that will be applicable in the **ADMINISTRATION** of Credit




FUNCTION OF A CREDIT POLICY

To protect the investment made in debtors by the organization while maintaining the lowest level of receivables.

"An acknowledgement of the facts of Credit, leads to profits but denial is a common tactic that substitutes deliberate ignorance, thus the non performing debts." Cate Bendington Brown- my lecturer Leeds University

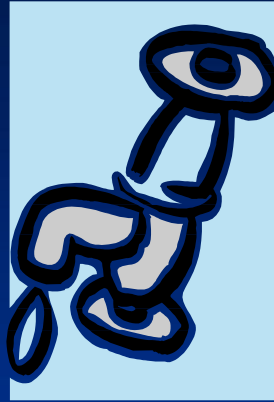


CANONS OF BAD CREDIT

- **Assumptions and hope**
 - **Carelessness- poor documentation**
 - **Ineffective communication/poor systems**
 - **Ignorance of circumstances**
 - **Following competitors behaviors**
 - **Rigidity**
 - **Living in history**
- 

THE SIX CARDINAL LAWS OF CREDIT MANAGEMENT

The doors of success are written push!



- **ASSESSMENT (information)**
- **CREDIT SCORING (interpret)**
- **CREDIT LIMITS (right amount)**
- **RISK MANAGEMENT (relate well)**
- **POSITIVE COLLECTIONS (goodwill)**
- **COMMERCIAL CONCLUSION OF DEBTS**

Genius is the capacity to take painful decisions

DEADLY SINS ON COLLECTIONS

DO NOT!

- Collect money by crisis
- Threaten the customer with an action that you are not ready to take
- Show the customer that you are desperate
- Be compromised
- Lock horns

You can only tell if you have been told

GOLDEN STEPS TO WALK IN COLLECTIONS!

POSITIVE COLLECTIONS.



Given a list of customers to collect from!

**list seven steps up to the point you
collect a cheque and conclude.**

- ***Categorize the debtors using the 80/20 rule***
- ***Prove of debt***
- ***Contact***
- ***Delivery***
- ***Follow up***
- ***Collect***
- ***Re-touch***




COMMERCIAL CONCLUSION OF DEBTS

IF YOU ARE TO CONCLUDE A DEBT THROUGH A THIRD PARTY, the following points should be carefully considered.

- 1. Is the debtor a person who cannot pay?**
- 2. Are there any complaints which have not been attended to?**



Cont.....

- 3. Is the cost to be incurred justified?**
 - 4. Do I understand the legal standing of the customer?**
 - 5. Do we have enough evidence to support the claim?**
 - 6. Are we likely to be throwing good money into bad money (paper judgments)?**
 - 7. Does the debtors have attachable assets?**
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DEBT RECOVERY BY LEGAL PROCEEDINGS

- . Securities perfection
- . Type of the security
- . Location of the security
- . Quality of the lawyer
- . Age of debt
- . Support documents
- . End value



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