

# COLLECTION JOURNEY AT THE AGRICULTURAL BANK OF EGYPT (ABE)



“Don’t make the jump until you’ve fully considered what every aspect of a change really means, and client protection meant a lot to us at ABE”

## BACKGROUND

The Agricultural Bank of Egypt is one of the oldest and largest institutions in Egypt and one of the largest banks in the Middle East with more than 1210 branches and a village bank.

The bank started its activities in 1930, targeting at financing the various agricultural activities and rural developments in compliance with banking systems, and under the Central Bank of Egypt (CBE).

Bank Website: [www.ABE.Com.eg](http://www.ABE.Com.eg)



## THE CHALLENGE

ABE was facing a challenge in managing loan collections effectively.

The collections activities used to be through branches who already grant the loans to clients based on the only criteria of providing loans to poor people who work in agricultural activities; because the focus was not on portfolio quality this caused ABE observed a significant increase in default rates.

Also, due to the high rate of poverty in the area, many clients were struggling to repay their loans on time, leading to increased defaults and loan delinquencies. As a result, the organization was finding it challenging to maintain its loan portfolio quality, which was crucial to sustain its operations.

More challenges were found when assessing the situation in the field, such as:

- No data to rely on: the biggest challenge was the accuracy of clients’ data, loans’ details and status, locations or demographics.
- MIS system does not support loans’ performance tracking.
- Collection efforts and processes are not recorded.
- No information about clients’ capacity to repay
- Portfolio quality reports are absent.

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## THE APPROACH

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ABE's management realized that it needed to improve its collection practices to ensure that it could recover the loans while retaining positive relationships with its clients; this was considered crucial to sustain operations, endorse the mission and most of all maintain the institution's reputation.

Given the portfolio size and number of branches, not to mention the long distances due to the country size and geographical structure, and after an in-depth analysis of the best practices in the local and global market, management decided to have a stand-alone and centralized collection department. The department's main roles are:

- To **standardize** the collection activities
- To develop a **collection policy and processes** that unifies and controls the collection practices across the bank's whole network
- To establish and develop a **reporting system** that can generate solid reports that management can use to make **informed decisions**. (Ex. Total portfolio/product, delinquency report/product, payment report, PAR, etc....)
- To select and train a collection team to deal with clients in a **professional manner**, to reduce and minimize delinquency and accordingly reduce losses and bad debts, and to maintain **healthy portfolio**.

*"The biggest challenge for me was to reestablish confidence in the Agricultural Bank of Egypt, and to change the image that has been built among clients that the bank always causes problems for farmers. Because the bank was originally established to support the Egyptian farmers"*

**Alaa Farouq, Chairman  
Agricultural Bank of Egypt**

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## THE JOURNEY

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According to the Central Bank's regulations and at the time of the bank's restructuring and development plan, the management decided to have an independent Collection Area that reports directly to "Risk Group", a Board Risk Management Committee, and to take the responsibility for all collection efforts.

Hence, the journey started in 2021 and the plan was built to guarantee the creation of an area that was armed with policy clarity, technology, human resources and training.

The main activities were:

1. Build the hierarchy and create sections.
2. Develop the documents: policies, procedures, strategies and job descriptions.
3. Recruit staff and develop staff training curriculum and plans
4. Build the MIS

As a result, the main expected outcomes were achieved as follows:

- Create a reporting system: the idea was to build a solid reporting system, which clarifies the portfolio, so that management can take corrective and informative decisions.
- Hiring collection staff with good profiles and provide them with an orientation training, making sure that they are capable to return the bank assets considering customer satisfaction and respectful treatment.



- In March 2021, official approval of the hierarchy chart, reporting to the “Risk Group” and start of the hiring of staff members.
- Development of collections policies, procedures and strategies in order to make sure to have the most adequate documentation, aligned with the bank’s targets and values.
- Experienced and capable staff at senior level to manage teams and to support the launching phase.
- In July 2021, the Collection Department started officially and solidly with full and complete preparations.

Today the department structure contains 3 main sections:

1. MIS team
2. Tele- calling team
3. Field team

MIS team	Tele- calling team	Field team
<ul style="list-style-type: none"> <li>•Generate the required reports to the management.</li> <li>•Generate the required reports of the total portfolio and the delinquency indicators per product according to a quantitative indicator in order for the management to take the appropriate decisions.</li> <li>•Reporting the delinquency ratios to the Collection teams per product and prepare a list of customers for Collection teams in order to follow up.</li> <li>•Daily productivity reports</li> <li>•Also the MIS team generates a daily visits and plans report for the field team.</li> </ul>	<ul style="list-style-type: none"> <li>•Collection representatives contact the clients through phone calls, urging them to pay their dues and whilst contacting the pre-delinquency customers to meet their obligations before the due dates in order to avoid entering the delinquency stage.</li> <li>•Tele calling management provides intensive training courses for collection department employees to improve their performance and development.</li> </ul>	<ul style="list-style-type: none"> <li>•After 6 months of initiating the Collection department, management advised to work on the ground and contact our clients through field visits, and accordingly we initiated the field visits team which is located on the bank's governorate sector base; the main duties is to contact clients through field visits jointly with branch staff.</li> <li>•Approval to hire 100 contracted field collectors across all bank's locations in governorates in order to cooperate with the various governorate Branches, visiting the unreachable and higher delinquency stage clients to urge them to pay their debts considering all clients' rights of respectful treatment and privacy.</li> </ul>

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## THE PROCESS

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The approach was to insure that the following is being conducted according to clear processes and policies:

- **Staff training:** ABE trains its loan officers to handle collections in a more empathetic and respectful manner. The staff was taught to listen to clients' concerns and work with them to find solutions that would enable them to repay their loans.
- **Flexible Repayment Options:** the bank introduced flexible repayment options that allowed clients to reschedule their payments or repay their loans in smaller installments. This helped clients manage their cash flows more effectively and reduced the likelihood of defaults.

- **Personalized Communication:** ABE introduced personalized communication with its clients to establish stronger relationships. Loan officers would visit clients' businesses and homes to understand their financial situations better and offer tailored advice and support.
- **Technology Integration:** ABE invested in technology to automate its loan collection processes. This allowed the bank to send automated reminders to clients and track repayments more efficiently.
- **Clients' segmentation:** effective client segmentation results mainly in identifying the cause of delinquency and classifying the client based on attitude (and ability vs. willingness to pay), capacity, creditworthiness and location.
- **List of appropriate and inappropriate behaviors:** it is clearly defined in the policy as the focus was on HOW we do things; the bank's focus was for the team to fully understand what to do and what they shouldn't do; this is stressed during the orientation training, which also covers data confidentiality, transparency and the collection process.
- **Collection Code of Conduct:** fully designed and customized to meet the bank's values and to cover all accepted and unwelcomed behaviours in collection practices. The staff is trained on the code and sign a copy of it.
- **Collection policy and process:** as a foundation for all, it was essential to put efforts in developing a collection policy that controls everything related to the department and its processes and staff. The collection process was developed to be aligned with the collection strategy so that the various actors in the process—such as call centers, loan officers, and collections agents—act in a coordinated and timely manner.
- **Rescheduling and write off policy:** A policy that embraces a clear workflow, including field visits, required documents when applicable and the needed approvals for each case. Examples of cases: unexpected events like a natural disaster, illness, business loss (crops or livestock) due to specific reasons. However, there is a room for every client to apply for rescheduling and a committee approval is required to proceed with the loan rescheduling if the case meets the policy.

*“Early 2022 the bank joined a Client protection certification Journey project. The project’s main objective was to encourage FSPs in Egypt to enhance and improve their practices to meet the Client protection standards. After working in-depth on the CP SAT and after identifying the gaps, we started the implementation immediately, and here I must say that client protection appeared to be a very important piece that completed the puzzle”*

**Ehab Najeeb, Head of Collection Department  
Agricultural Bank of Egypt**

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## THE OUTCOME

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The introduction of appropriate collection practices resulted in **significant improvements in loan portfolio quality** for ABE, the bank saw a reduction in the number of defaults and delinquencies, which helped maintain its operations sustainably.

The bank also established **stronger relationships with its clients**, which helped attract new clients and grow its loan portfolio. Here below is a summary of how the bank benefited of each approach it took to establish a fair and responsible collection practices:

- Client segmentation empowered ABE collection staff to adopt a **more targeted and individualized approach** to collection efforts. By considering the unique circumstances,

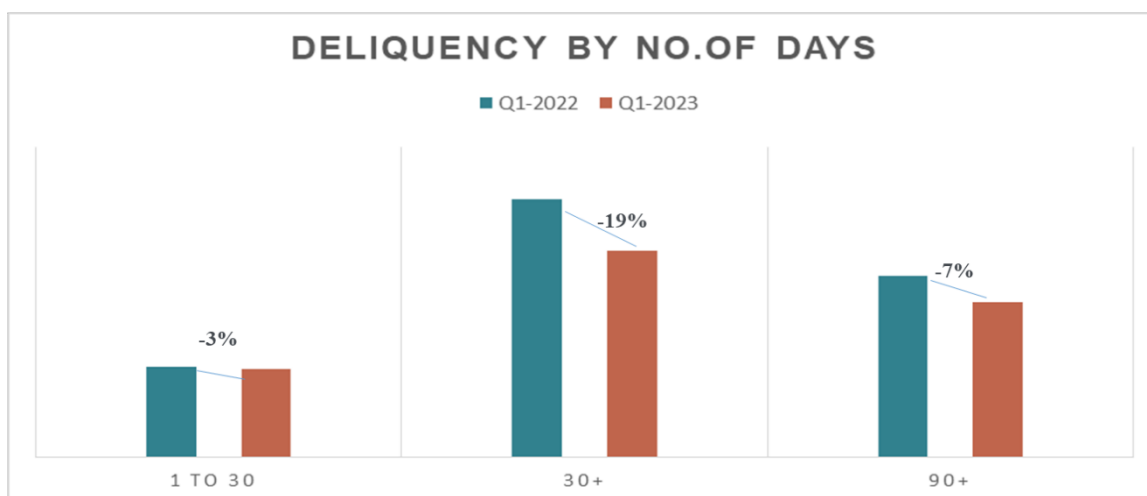
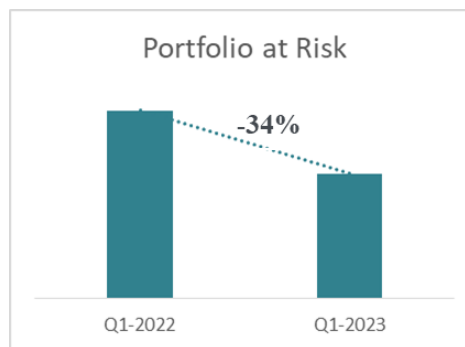
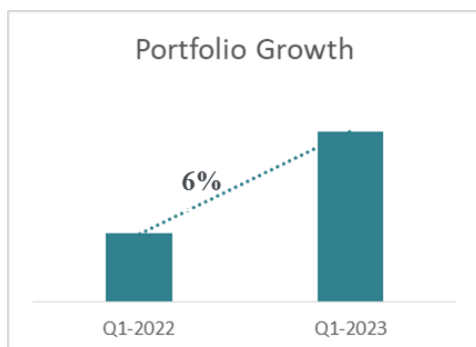
preferences, and risks associated with each segment, the institution can improve communication, develop customized repayment plans, allocate resources efficiently, and mitigate risks effectively. These benefits ultimately contribute to enhanced collection rates, reduced defaults, and **improved overall performance** for the bank.

- By maintaining a list of appropriate and inappropriate behaviors in collection, ABE can ensure ethical practices, compliance with regulations, **positive customer experiences**, reduced defaults, and an **enhanced reputation**. These factors collectively contribute to the institution's success and **sustainability** in the sector.
- Having a well defined collection process benefited the bank by improving its operational efficiency, facilitating timely payment recovery, **mitigating credit risk**, enhancing communication with clients, enabling **data-driven decision-making**, ensuring compliance, and fostering accountability. These outcomes collectively contribute to the institution's **financial sustainability**, reputation, and ability to serve its clients effectively.
- By investing in staff training for collection, an evident change and enhancement of the skills, **professionalism, and ethical practices** of collection agents was noted. This led to **improved client relationships**, increased compliance, consistency in approach, and ongoing skill development. Ultimately, staff training contributed to better collection outcomes, reduced defaults, and a **positive reputation** for ABE in the industry.
- Having a write-off and rescheduling policy enabled the bank to effectively manage credit risk, maintain **accurate financial reporting**, allocate resources efficiently and **offer temporary relief to clients**. These benefits contribute to the institution's financial stability, reputation, and **ability to serve its target market effectively**.

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## KEY STATISTICS:

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## CONCLUSION:

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Effective collection practices are crucial for any financial institution to maintain positive relationships with clients while managing loan portfolio quality. ABE approach of training staff, offering flexible repayment options, personalized communication, and technology integration serves as an excellent example of how FSPs can improve their collection practices to achieve sustainable operations.



Thank you!

Prepared, reviewed and approved by:

Ehab Najeeb

Head of Collection Sector | Agricultural Bank of Egypt

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