

## **CHAPTER 10: ELECTRONIC BANKING**

### **10.1 Introduction of the Unit of Learning/Unit of Competency**

Electronic banking is a unit of competency offered in TVET level 6 banking and finance course qualification. This unit specifies the competencies required to manage electronic banking. It involves processing registration request, managing service providers, managing bank customers, reconciling online transaction and recovering of default account. The Significance of electronic banking to TVET level 6 banking and finance curriculum is to equip the learner with knowledge and skills to demonstrate conflict resolution, communication, financial management and credit and debt recovery principles and techniques so as to fit well in the workplace.

The critical aspect of competency to be covered include demonstrated ability process registration request, understanding of service level agreement, understanding of service providers, manage bank customers, understanding of reconciliation process, identify default account and inform customers of their status as per repayment report. The basic resources require for include; computers, internet connectivity, phones and stationery.

The unit of competency covers 5 learning outcomes. Each of the learning outcome presents; learning activities that covers performance criteria statements, thus creating trainee's an opportunity to demonstrate competecies stipulated in the occupational standards and content in curriculum. Information sheet provides; definition of key terms, content and illustration to guide in training. The competency may be assessed through written test, demonstration, practical assignment, interview/oral questioning and case study. Self assessment is provided at the end of each learning outcome. Holistic assessment with other units relevant to the industry sector workplace and job role is recommended.

### **10.2 Performance Standard**

Process registration request, manage service providers, bank customers, and reconcile online transaction and recovery of default account as per bank procedures, bank policy and in accordance to customer request.


### **10.3 Learning Outcomes**

#### **10.3.1 List of Learning Outcomes**

- a) Process registration request
- b) Manage service providers
- c) Manage bank customers
- d) Reconcile online transaction
- e) Recovery of default account

## 10.3.2 Learning Outcome No 1: Process Registration Request

### 10.3.2.1 Learning Activities

Learning Outcome No 1: Process Registration Request	
 <b>Learning Activities</b>	<b>Special Instructions</b>
1.1 Receive customer registration request as per bank procedures 1.2 Verify customer request as per bank policy 1.3 Create customer online accounts as per customer request 1.4 Activate online accounts as per bank procedure 1.5 Communicate to the customer as per bank procedure	Discussion forum  Demonstration from the trainer  Practice by the trainee

### 10.3.2.2 Information Sheet No10/LO1: Process Registration Request



#### Introduction

This learning outcome covers; registration process (online, digital), registration options (required documents for registration), methods of verifying registration document (physical verification, documentation verification, and electronic documentation), document certification, creation of online account, and activation of account, modes of communication within and outside the bank.

#### Definition of key terms

**Customer registration:** This is the process of turning the prospective organizational consumers to actual consumers who will engage with the bank brand in the running process of the bank.

**Bank policy:** This is a bank's high-level general plan in which the bank's overall goals and directives are embraced. It can be a coded document in which the bank overall plan is captured.

**Online accounts:** This is an arrangement in which bank client funds are held in a signed-up platform that is maintained by a computer system.

#### Content/Procedures/Methods/Illustrations

##### 1.1 Customer registration requests are received as per bank procedures

Customer registration forms the most crucial process through which bank products prospective buyers are turned to actual buyers. To fully undergo the process necessary documents are presented and verified and then registration happens. Therefore, due process has to be followed as per the bank procedures to ensure compliance and avoid any future risks.

## Process

In the ancient era, customers used to walk into any bank, submit the relevant documents (ID and KRA pin), and be given a form which they fill and the details entered into the system and they become registered. However, with massive use of technology, customers can register themselves online to have an account with the bank of their choice. The following process applies;

- i. Visit the bank's website and search for the service of account opening.
- ii. Click on "**Register Now**" option and a page of feeding in details to the system is displayed.
- iii. Fill in the details required; enter the preferred username, the personal email and password of choice.
- iv. Start key or activation key is sent to the personal email which is then used to verify the account.
- v. The necessary documents are then uploaded to the website and attached to the respective account.
- vi. Lastly, you do the account setup by putting your profile photo, security phrases, security questions, and any other information necessary for identification purposes.

## Registration options

- **Manual registration:** This is the physical way of registration where an individual walks into the bank, asks for a form which he/she fills to become registered by the bank. Necessary documents must be verified and the photocopies of the documents attached to the application.
- **Digital registration:** Also called online registration. The option entails a customer opening a bank account for himself at his convenience using the computer platforms. The option requires computer literacy and skilled mind to undergo it.

## Documents required for registration

The documents vary with the individual opening an account or registering with the bank. Anciently, a copy of your ID was enough to open a bank account. With theft increment, money laundering and increased KYC policies, the Central Bank of Kenya in 2016, added KRA pin as one of the documents required to register for a personal account.

To register for a company account or any registered legal entity, the certificate of registration KRA pins, IDs of the directors, Articles of Association, MOU and company KRA pin are necessary documents required. The documents can also be added as the bank policy for KYC for various banks across the nation.

### **Need for registration of document**

- The ID is to proof for customer citizenship since non-citizens can only open a diaspora account.
- KRA pin is for taxation and compliance purposes for the law of the land.
- Company documents (Certificate of registration, MOU and Articles of Association) are to proof the existence and operations of such company and whether it is compliance with the law.

### **1.2 Customer requests verified as per bank policy**

In the past years, the verification process of the documents content used to take a long process since the documents had to be physically passed through various departments. The technological era has changed the whole process thus the documents can be verified within a short time and the customer becomes registered. In the current era, the customer requests are processed within a minute and verified thus the customer becomes registered and leaves the bank with every document verified and the registration process done.

### **Methods of verifying the registration documents**

#### **a) Physical verification method**

This is the manual handling of the documents and physically examining them to determine whether they meet the required standards. The success of the method depends on the skills and the knowledge that the banker possesses. This method is applied for customers who walk into the banks to manual apply for an account registration.

#### **Advantages of physical registration**

- Eliminates possibilities of having fake documents.
- The physical client can be ascertained as the true owner thus eliminates chances of fraud.
- The correct details are captured in the registration and verification process.

#### **b) Documentation verification method**

This is the method that involves document counter checking with the checklist formulated by the banks to guide a complete registration process. All the necessary documents are counterchecked to ensure a complete verification process.

#### **Advantages of documentation verification method**

- Ensures all documents are submitted for verification.
- Facilitates compliance to the bank policy and overall bank sector.
- The process of verification is orderly since the first document on the list is dealt with first.

### **1.3 Customer online accounts created as per customer request**

Customers request for opening of online accounts which have to undergo a content verification process before complete creation to start using it. The creation of the account happens at the signing up stage but the account will be active for use once the documents have been verified and approved.

#### **Method**

##### **Electronic documentation and verification method**

The method requires customers signing up for an account to upload their account opening documents in soft copy formats. The documents formats are specified as per various banks but the standard format is the PDF format.

##### **Advantages of electronic documentation**

- Easy to process as they offer easy perusal.
- Enhances bank services convenience.
- Saves the bank from the hustle of keeping hard copy documents.

### **1.4 Online accounts activated as per bank procedure**

When a bank account has not transacted over a long period of time, it becomes dormant and usually requires activation before it starts being in use again. The standard time stipulated for an account to go dormant is at least one year but others go beyond that depending on the bank balance and the type of customer operating that account.

#### **Process of activation of online account**

- i. Log in to the website and select the “**Activate Account**” option.
- ii. Answer the security questions as set during the account opening.
- iii. Agree with the terms and conditions of activation of the account which will require a deduction of some fee for the service.
- iv. Re-upload any necessary document that the bank might need.
- v. Update and save the current online profile.

### **1.5 Communication to the customer is done as per bank procedure**

In case of any information to be communicated to the customer, the contacts provided by the customer during registration are used to contact the particular customer. Unless that communication is really important and will affect the customer banking if not done, it should be avoided.

## Methods

- **Phone call:** The customer can be telephoned using the mobile number provided.
- **Emailing:** The email account provided by the customer should be used in passing information to them.
- **Bulk SMS:** In case the problem affects all the bank customers; a unified message can be sent to all of them such as when there is a system maintenance by the bank

## Advantages of communication to the customer

- Keeps the customer updated with the bank
- Customer loyalty is enhanced with constant communication.
- Helps the customer to plan on their transaction thus convenience.
- Reduces customer conflicts with the bank since they get information in advance.

## Importance of online activation of accounts

- Saves time for both the customer and the bank
- Offers 24/7 services this can be done at customer convenience
- Offers detailed reporting by requiring customers to give further details
- Can be used to incorporate online survey to gauge customer satisfaction
- It enhances further use of mobile banking

## Conclusion

This learning outcome covers; registration process (online, digital), registration options (required documents for registration), methods of verifying registration document (physical verification, documentation verification, and electronic documentation), document certification, creation of online account, and activation of account, modes of communication within and outside the bank.

## Further Reading



1. Larson,A, &Viitaoja,Y. (2017).Building customer loyalty in digital banking. The international Journal of Bank Marketing.

### 10.3.2.3 Self-Assessment



#### Written Assessment

1. Which of the following documents is not required for customer registration?
  - a) ID
  - b) Birth certificate
  - c) KRA pin
  - d) Company registration certificate
2. Which of the following registration options is fit for 90 year old customer?
  - a) Digital registration
  - b) Manual registration
3. Which of the following is not a method of document verification?
  - a) Documentation verification
  - b) Physical verification
  - c) Biological verification
  - d) Electronic verification
4. Which of the following is not part of an account setup?
  - a) Individual photo
  - b) Security questions
  - c) Security phrases
  - d) Details of school attended
5. Which is the standard format of documents to be uploaded for registration?
  - a) PDF
  - b) Word document
  - c) HTML document
  - d) PNG format
6. Summarize advantages of electronic documentation.
7. Elaborate on the process of activating online account.
8. Discuss two methods of verifying registration documents.

#### Oral Assessment

1. What is the standard procedure of customer registration?
2. What is the future of banking?

#### Practical Assessment

Students to visit a local bank and learn the customer registration process and observe how customers are served. Trainee then try to open an online account as learnt in class.

#### 10.3.2.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/white board

#### 10.3.2.5 References




- Gronholdt, L. (2019). Digital Customer Experience: an emerging theme in customer service excellence. In 22<sup>nd</sup> QMOD-ICQSS international (*conference on Quality and service sciences.*)
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- Shaikh, A.A., Hanafizideh,P, P., & Karjaluoto,H, H. (2019). Mobile banking and payment system: a conceptual standpoint. (*International Journal of E-Business Research (IJEER)*), B (2), 14-27

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### 10.3.3 Learning Outcome No 2: Manage service providers

#### 10.3.3.1 Learning Activities

Learning Outcome No 2: Manage service providers	
 <b>Learning Activities</b>	<b>Special Instructions</b>
2.1 Ensure that the compliance with Service Level Agreements (SLA) is as per the policy. 2.2 Sought the Service provider report as per SLAs 2.3 Conduct an engagement for proposed system improvements as per SLA 2.4 Implement the agreed changes as per bank request	Discussion forums  Lectures  Field visit practical method

#### 10.3.3.2 Information Sheet No10/LO2: Manage service provider



##### **Introduction**

This learning outcome covers; service providers, features of Service Level Agreement document (SLA), consequences of breach of SLA document, review options for SLA document. Service providers are third parties or outsourced suppliers for the bank who is fast is to provide consultation, communication, and storage, information processing or legal engagements. Such service providers can be company lawyers from a law firm, internet and voice calls from communication service providers, and auditor from external auditing firms or real estate investors for bank investing decisions.

##### **Definition of key terms**

**SLA:** This is a contractual engagement between service providers and their customers which gives the documentation of the services to be rendered, the standards of providing the service and the obligations of each party in the due course of providing the services.

**Compliances:** This is the process of ensuring that the bank employees as well as the bank follows the required rules and regulations as well as apply the required ethical practices in the operations process.

**Bank request:** This is a submission of a form to the service providers requiring the providers to provide stated service.

## Content/Procedures/Methods/Illustrations

### 2.1 Compliance with Service Level Agreements (SLA) is ensured as per the policy content

SLA being a contractual agreement issues of ethics and compliance matter a lot in the operations process. Therefore, compliance is matter of no choice when it comes to SLA implementations. As a bank, the focus should be that the contractual agreement is not breached which will reduce law suits against the bank which can be very costly of the publicity of the bank. The standards and obligations of the SLA must be met to ensure that compliance has taken place.

#### Features of services level agreement

- **Agreement overview:** These are the basic details of the parties involved in the contractual agreement such as the participants' date of affection or expiry general statements of the particulars and the areas of SLA coverage.
- **Goals and objectives:** The purpose of the contractual agreement is stated as well as the capabilities of obtaining a mutual agreement are outlined in this feature.
- **Stakeholders:** This gives the definition of the parties involved in the agreement an example internet provider and the internet user which can be the bank.
- **Periodic review:** The agreement should also mention the dates when the services commence and expire as well as the interval of review to determine whether the provision of the services in the track as agreed by the contractual parties.
- **Service agreement:** It forms the voluminous section of the agreement in which the responsibilities of the services provider are stated. The aspects covered at this are the services scope, the customers' requirements, and the requirements of the services provider and the assumptions of the services.
- **Services management:** Forms the last portion of the agreement which deals with making request available and response to those request as per the policy.

#### Importance of SLA

- It strengthens the relationship between the bank and the service providers
- It increases new business not only for the service providers but also for the bank
- It creates clear and well-defined boundaries of communications
- It is good for the bank in retaining services providers who are excellent in-service provision
- They are very good in leading towards ethics since they are contractual

#### Assumption of service level agreements

- **Compliance:** Each party of the SLA assumes that the other party will comply with the stated requirements in the contractual period.
- **Utmost good faith:** Each party assumes that the contractual agreement was entered into with good intentions and not for manipulation
- **Profit making:** Each party assumes that the contractual agreement entered t5to will benefit each of them in terms of profit.

- **Fullness:** Each party of the contractual agreement assumes that the contract will be kept to its expiry without breach

## 2.2 Service provider report are sought as per SLAs contents

Service provider reports is very necessary in determining whether the goals and objectives set out in the SLAs have been achieved or they are being achieved in the due process. Therefore, the reports can be generated by the bank or the service provider to show the progress or the delivery of the service in the question.

### Process seeking service provide reports

- Determining the need for the report:** When the service provisions have reached a level that the bank needs to know about the need for the report is identified.
- Establishment of the periodic time for reporting:** The time intervals for reporting are determined and therefore cannot exceed during report seeking.
- Contacting the relevant parties for the reports:** The party that is dealing with the provision of the detail of the report is contracted and requested to provide the details.
- Generating the reports:** When all the report details have been given a command is executed which manufactures the reports.

### Consequences of breach of SLA documents

If the report sought reveals non-satisfactory to the user and too way below the set obligations and goals services delivery is said to be poor and contract breached by not doing the expected. Below are the consequences;

- **Restitution:** This is the consequences of the party that breached the contract paying the other parties.
- **Punitive damages:** The payment of breaching the contract is paid to the other parties.
- **Liquidated damages:** This is the money that the two parties agree to pay in case of breach of contract.
- **Compensatory damages:** This is the sum total of money paid by the party that breached the contract as stated in the agreement gotten into by the parties.

## 2.3 Engagement for proposed system improvements is conducted as per SLA content

In the service provision process improvements are expected as the volume of consumers increase and the urge to get more advanced services by the bank. Therefore, the improvement that can be engaged should be specific and spelled out in an additional document or made as an addition to the existing SLA. Reviews to the SLA should therefore, be done and changes proposed for the improvement of the services.

### **Review options for SLA documents**

- **Service level SLA:** This is the contractual agreement structured to show service provision based on a particular service across a wide range customer. A good example is an SLA for internet provision for customers across various industries such as financial, productions and manufacturing.
- **Customer based SLA:** This is a SLA structured for a particular clients covering all the aspects of services to be provided for that client. A good example is a communications service provider who can provide internet services, voice calls and massaging for a bank which is the customer in that case.
- **Multi-level SLA:** This is a type of SLA where the aspects are defined in regard to the services consuming organization using overall definition that are relevant for all organizational levels. All the services spelled to be offered by the service provider are interrelated and connected to the auxiliary services of the organizational thus multi-levels

### **Needs for proposing changes**

- To improve service provisions to the bank
- To enhance customers services since the services provided help serving customers
- To adjust the current business world changes
- To keep pace with the competitions bank in the service provision

### **2.4 Agreed changes are implemented as per bank request content**

In the process of service provision changes are necessary to ensure that the quality of service is maintained and improved for better consumers' services. It is therefore, important that the contractual services company engage in a talk to agree on necessary changes that will improve service delivery.

### **Process of making changes**

- Determine the need for changes:** There must be a strong desire and will to do the changes in regards to customer's needs in the process of delivering the services. The pros and cons of a service can be studied to determine the desire for service changes.
- Believe in the proposed changes:** The organization as well as its people should believe in the proposed changes which will improve services delivery to the bank
- Identify the belief in driving the changes:** This is what provides anchorage for the change since change agent will keep referring to it for motivation and drive
- Choose a better belief:** In deciding the belief to hold in driving the change a belief that is strong and long term should be selected to keep the organization motivated.

### **Change implementation**

- Prepare for the change by collecting and analyzing information regarding strengths and vulnerabilities of the organization.
- Explain the change to the company stakeholders who will be affected by the change.

- Acknowledge the loss that the change will bring to the organization both in the present and in the future.
- Create a conducive climate for the change to avoid resistance.
- Build a plan for the change.
- Launch and sustain the change for effective service delivery
- Update the SLA regarding the changes made.

### **Importance of SLA change**

- It helps to keep pace with the industry changes which are required for better operations
- Helps to accommodate any deviations that arise in the implementation process
- Helps to clearly explain the duties and obligations of the SLA thus avoid breach
- Resistance is able to be presented since the changes are communicated
- Weaknesses are sorted out during change as they are discovered in the review process

### **Conclusion**

In summary effective, management of service providers for the bank requires guidance as spelled out in a service level agreement (SLA). This learning outcomes thus looked into management of service provider by discussing the SLA as document and an agreement, the consequences if that agreement is breached, the review option available for changes of the SLA as the bank pursue into the receiving of services from the services providers.

### **Further Reading**



1. Business law – the law of contrast

### **10.3.3.3 Self-Assessment**



### **Written Assessment**

1. Which one of the following is not a feature of SLA?
  - a) Goals and objectives
  - b) Agreement overview
  - c) Periodic review
  - d) Name of signatory

2. Which one of the following is not part of service agreement?
  - a) Service scope
  - b) Customer requirements
  - c) Assumptions of the service
  - d) Service expiry
3. Which one of the following is the importance of SLA?
  - a) It strengthens the relationship between the service providers service consumer
  - b) It enables the bank to get money
  - c) It replaces the bank policy for better service
  - d) It ensures good service
4. Which of the following is not a consequence of breaching SLA?
  - a) Restitution
  - b) Liquidation damages
  - c) Punitive damages
  - d) Profit damages
5. Which of the following is not a review option for SLA document?
  - a) Service level SLA
  - b) Multi-level SLA
  - c) Management SLA
  - d) Customer based SLA
6. Summarize the features of a service provider.
7. Analyse the process of seeking a service provider report.
8. Evaluate the importance of SLA.
9. Discuss the need for proposing changes in managing service providers.
10. Demonstrate the process of change implementation in SLA change.

### **Oral Assessment**

1. State the features of an effective SLA.
2. What are the consequences of breach of SLA document?

### **Practical Assessment**

Students to identify and visit a local service provider and determine the services provided. Inquire the process, methods and advantages of offering the various services by the service providers.

#### **10.3.3.4 Tools, Equipment, Supplies and Materials**

- Writing materials
- Projector
- Computer
- Flip chart/white board

### 10.3.3.5 References



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Choi, T.M. (2016). Managing service supply chains in the big data era: A system of systems perspective. In (*service supply chains systems*) (pg. 73-80). CRC press

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### 10.3.4 Learning Outcome No 3: Manage Bank Customers

#### 10.3.4.1 Learning Activities

Learning Outcome No 3: Manage Bank Customers	
 <b>Learning Activities</b>	<b>Special Instructions</b>
3.1 Receive Customers instructions as per bank procedure 3.2 Customer instructions are (fund transfer, withdrawal, cheque book request, blocking of ATM cards) as per customer request 3.3 Communicate (fund transfer, withdrawal, cheque book request, blocking of ATM cards) customer request as per bank procedure 3.4 Receive customer feedback as per bank procedure 3.5 Resolving of customer queries and complaints as per bank procedure 3.6 Establishment of frequently asked questions (FAQs) framework is as per bank policy	Lectures  Discussion forums  Grouping and discussions

#### 10.3.4.2 Information Sheet No10/LO3: Manage Bank Customers



##### Introduction

This learning outcome covers; receiving of customer instructions, communicating actioned customers request, receiving customer feedback and establishing frequently asked questions as per the bank policy. Managing of the bank customers determines the excellence of service to the customers as well as their ultimate retention. Customers' management thus covers all aspects dealing with receiving communications from the bank customers and acting on the communications as directed.

##### Definition of key terms

**Complaints:** These are statements from bank customers regarding something that is wrong or expressing dissatisfaction of service or product consumed.

**Cheque book:** A loose leaflet document given by the bank, in correspondence to a particular bank account, which the owner can use to instruct the bank to pay out specified funds to another party who can be addressed on one of the leaflets.

**Feedback:** This is the reaction or behavior exhibited by the bank customers after consuming the bank products or services.



## Content/Procedures/Methods/Illustrations

### 3.1 Customers instructions are received as per bank procedure content

Customers give instructions to the bank by using the bank products that they have been given in the transactions process. Such instructions are given at particular specified points since the bank products can be effectively used at particular points. The bank has positioned itself in a manner that it is able to receive customer instructions conveniently by the incorporation of technology in the operations process.

#### Procedure

- i. Customers executes the instructions of either withdrawing money from the bank.
- ii. The bank identifies the customers' instructions through either computer systems or active listening by the banker.
- iii. The instructions are internalized and recorded to determine what the customer needs.
- iv. The instructions are then acted upon to give service to the customer.

### 3.2 Customer instructions are actioned as per (customer request)

Actioning of customer instructions is what leads to customers' service and management. The instructions are given through activities such a fund transfer, withdrawal, cheque book request, blocking of ATM cards as per the customer request.

**Fund Transfer:** This is where a customer fills a form directing the bank to transfer a stated amount of finances from the customer's account to another account either in the same bank or another bank both locally and internationally. The instruction is actioned on by the bank by stamping and signing the filled form and the details entered into the bank system to execute the instruction.

**Withdrawal request:** Previously customers used to fill forms for withdrawal but as many banks are choosing going paperless, the customer walks to the counter and presents the ID card and orally states the amount they want to withdraw. The instruction is actioned on by the teller keying in the amount directed to be withdrawn and then checking on the bank charger boxes to execute the withdrawal instruction.

**Cheque book request:** This is the customer instruction in which the bank is directed by the customer to generate a leaflet book for the corresponding account for purposes of execution of instructions through writing. The instruction is actioned on by receiving the application form at the point of application, ascertaining whether all requirements have been met (money is in the account and that the corresponding account is legible for a cheque book), stamping the application form and sending it the bank headquarters where cheque books are generated.

### **Importance of receiving customer instructions**

- It helps to serve the customer since the instructions are mostly a request for service
- Customer satisfaction is achieved with attentive reception of the customer service
- The bank is able to reduce customer bank conflicts with effective instructions reception
- There is excellence in customer service when the instructions are received and acted on the latter
- It keeps the customer connected to the bank with the continuous instruction to the bank

**Blocking of ATM cards:** Presently referred to as visa cards, ATM cards are bank products which are used in giving multiple instructions to the bank. Blocking of such cards is actioned on by the customer physically presenting themselves to the bank and request for blocking. In unavoidable circumstances which the customers cannot make it to the bank and it is urgent that they should block the ATM, the customer can call the bank using the number he/she provided during registration and request for blocking of the card. The customer service card personnel then log into the system and executes the block command on the ATM card.

### **3.3 Actioned customer request is communicated as per bank procedure**

Communication of customer request is an essential part that gives the feedback to the customer regarding the instruction they had put forward. Communication of customer request can be done in multiple ways which ensure that customer need is met and bank procedure followed in meeting the need.

#### **Ways of Communicating Actioned Customer Requests**

##### **i. Fund Transfer Request**

When the customer has filled the bank, funds transfer request and the details have been entered to the system, the customer is issued with a receipt to proof that they did the transaction; a receipt which is an official way of communicating to the customer that transaction has been actioned.

##### **ii. Withdrawal Request**

Upon the execution of a withdrawal request, the customer is given the cash withdrawn plus a withdrawal receipt as a way of communicating that the instruction executed has been actioned.

##### **iii. Cheque book request**

Once the application for cheque book has been done, the customer is given a waiting receipt showing the number of leaflets of the expected cheque book. A notification can also be sent to the customer email or phone notifying them that they have completed applying for a cheque book.

**iv. Blocking ATM cards**

When the visa card has been blocked, a notification is sent to the customers' phone or email directing the customer to visit any branch to get the card unblocked.

**3.4 Customer feedback is received as per bank procedure**

Customer feedback is what helps the bank assess the customer service and determine the satisfaction of the customer.

**Ways of Receiving Customer Feedback**

- i. Through the suggestion box: Expressions from the customers are put into the suggestion box where they can be received by the bank.
- ii. Through talking and engaging with customers: Sharing with customers can be a great way of receiving feedback.
- iii. Through online reviews: Checking the online platforms to see how the customers have reacted to various bank products will give a good feedback.
- iv. Customer evaluations: Continually evaluating the customer can help mine good feedback from them regarding the bank operations.

**Importance of receiving customer feedback**

- It helps to identify the problem and improve service
- There is close communication between the bank and the customer
- Customer loyalty is enhanced once the feedback regarding a problem is solved
- Good feedback helps to rank the bank well in the industry
- Customers feel regarded when their feedback is graciously received and acted on

**3.5 Customer queries and complaints are resolved as per bank procedure**

Offering the bank products and services. Resolving such complaints implies good customer management.

**Importance of solving customer queries**

- They help to understand the bank customer in a better way
- They help to build customer loyalty
- They increase the word of mouth as the customers talk good about the bank
- It helps improve communication between the bank and the customers
- Customers feel the pleasure of being part of the company that values them

**Procedure for resolving customer queries and complaints**

- i. Determination of the complaint and ranking it according to type.
- ii. Forwarding the complaint to the appropriate bank department.
- iii. Formulation of complaint solutions by the relevant department.
- iv. Implementation of solutions of the complaint.
- v. Communicating to the customer regarding the solved complaint.

### **3.6 Frequently asked questions (FAQs) framework is established as per bank policy**

FAQs help customers to get immediate solutions for their questions in case their questions have been frequently asked to the bank. It helps the customers get solutions to their problems by themselves other than calling or complaining on the banks' social media pages.

#### **How to determine FAQs**

- i. Group the questions or complaints to the category of services or products they fall in.
- ii. Organize together similar questions and number them.
- iii. Determine the questions that have been constantly repeated by various customers and then classify them as FAQs.

#### **Importance of FAQs**

- Enhance customer trust as they show the customer that the bank understands what they are facing
- Boost customer service by addressing common questions
- Saves time and finances by reducing calls and emails to support staff regarding common queries
- They improve the user experience by making it easy to find solutions to their problems
- It demonstrates product expertise by the bank through address of key questions

#### **Conclusion**

Customer management has proved to be a vital exercise in the service industry of banking. This learning outcome effectively addressed the receiving and actioning of customer instructions, communicating the actioning of the requests to the customers, receiving the customers' feedback, resolving the customer complaints and then the establishment of FAQs. Proper following of the areas addressed is what leads to proper customer management.

#### **Further Reading**



1. Read further on customer relationship by Bhat,S.A., &Darzi, M.A. (2016). Customer relationship management. (*International Journal of Bank Marketing.*)

### 10.3.4.3 Self-Assessment



#### Written Assessment

1. Which one of the following cannot be used by a customer to instruct the bank?
  - a) Fund transfer request
  - b) Cheque book request
  - c) Withdrawal request
  - d) Money deposit transaction
2. Which of the following is not a requirement for getting a cheque book?
  - a) Funds being in the account
  - b) Account being legible for a cheque book
  - c) Signing rules of the account
  - d) Account being only for local currency
3. Which instances does not show a situation when the customer can request for blocking an ATM card?
  - a) When the card has been lost
  - b) When the card is expired
  - c) When an intruder has known the ATM card pin
  - d) When the customer has suspected the card doing an online transaction without his/her knowledge
4. Which is not a way of receiving feedback?
  - a) Suggestion box
  - b) Customer engagement
  - c) Online reviews
  - d) Brainstorming with peers
5. Which of the following is not a communication in customers' withdrawal request?
  - a) Being handed cash withdrawn
  - b) Receipt showing withdrawal
  - c) Bank statement
  - d) Notification of funds withdrawal
6. Discuss the use of an ATM.
7. Highlight the procedure of resolving customer complaints.
8. Suggest how bank determines FAQs.
9. Evaluation importance of matter in banks.
10. What is the other name of ATM card?

#### Oral Assessment

1. What is the procedure of withdrawing money from a bank?
2. Apart withdrawal of funds, what are the other uses of ATM cards?

### **Practical Assessment**

Students should conduct survey to determine all the aspects of the customer management from any financial institution near them. The survey should then be documented and discussed in groups.

#### **10.3.4.4 Tools, Equipment, Supplies and Materials**

- Writing materials
- Projector
- Computer
- Flip chart/white board

#### **10.3.4.5 References**




Estrella -Ramon, A., Sanchez-Perez., Swinnen, G., &VanHoof,K. (2017). A model to improve management of banking customers.( *International management & Data Systems.*)

Gupta, J. (2018). Customer Experience management in Banking Sector.( *International Journal Of Management.IT and Engineering* ),8(2),75-86

Khan, H.F. (2017). E-banking: benefits and issue. (*American Research Journal of Business and Management*),3(1),1-7

### 10.3.4 Learning Outcome No 4: Reconcile online transaction

#### 10.3.4.1 Learning Activities

Learning Outcome No 4: Reconcile online transaction	
 <b>Learning Activities</b>	<b>Special Instructions</b>
4.1 Receive reports from service provider as per SLAs 4.2 Compare customer requests against the bank and service provider report 4.3 Establish variance as per the comparison report 4.4 Make adjustments as per the variance report 4.5 Communicate adjustment results to customer as per bank procedures 4.6 File adjustments reports as per bank policy	Lectures  Class discussions  Group discussions  Illustrators

#### 10.3.4.2 Information Sheet No10/LO4: Reconcile online transaction



##### Introduction

This learning outcome covers; variance, causes of variance, reconciliation process, importance of reconciliation and filing and archiving.

##### Definition of key terms

**Variance report:** A variance report is a document that compares the expected financial outcome with the actual financial outcome. A budget being an estimation of variables and assigning of funds to cover them there is a necessary to use to use the actual amount that was spent. A variance report is presented in excel or power point presentations where the difference between the budget and the results are clearly stated. The differences are expressed in numbers or percentages.

**Filing:** Means keeping of documents safely and being easily accessible for use. Most financial records are historical so a good filing system are important. Losing documents before the end of financial year can result to incorrect entries.

**Comparison report:** This allows data to be viewed in a summarized data broken down to subgroup of the data. This subgroups are based on the questions on the survey or interview. Comparison reports are mostly used to study trends in a specific group of people they just select the group they are interested in.

## Content/Procedures/Methods/Illustrations

### 4.1 Reports from service provider are received as per SLAs

Service level agreements (SLA's) are a commercial between a service provider and the client SLA'S include the aspects of the said service which includes the quality availability and responsibilities. The key components of a good SLA is;

- Agreement overview: Includes details such individual involved and expertly date.
- Goals and objectives: This is the purpose of the document
- Stakeholders: Parties involved
- Periodic review: The expiry date of the SLA
- Service agreements: This include
  - a) The service scope: Looks at the specific services offered by the agreement
  - b) Customer requirement which includes details on payment
  - c) Service provider requirements: Includes specification of response time in case it is required
  - d) Service assumptions: Protocol on changes to services are discussed

### 4.2 Customer requests are compared against the bank and service provider report

All customers' requests have to be compared against the bank for payment for the services and to the service provider report to see if the terms of the agreement are made. This is also because the transaction that are online take two to three days to reflect. There are channels that are followed during request of information from the bank by customers. Customer requests should be in person with identification or if other methods of communication are used there are follow up questions that are asked.

### 4.3 Variance as established as per the comparison report

Variance is a statistical measure of the difference between set observations. It also refers to how much actual expenditures deviates from the actual budget.

Variance formula

$$\delta^2 = \frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n}$$

#### Where

$x_i$  = the  $i^{\text{th}}$  data point

$\bar{x}$  = the mean of all data points

$n$  = the number of data points

$\Sigma$  = summation

$\delta_2$  = variance

#### Causes of variance

A variance is either favorable or unfavorable favorable variance is when the income is more than expected an unfavorable variance is when revenue is less than the expected income.



### Favorable causes

- Healthier economy
- More advertising
- Up to date products
- Less competition
- Lower selling prices

### Unfavorable causes include:

- Worse economy
- Market decrease in prices
- Higher competition
- Outdated products
- Poor management of materials

With the comparison report one can always view the trends using the data provided.

### 4.4 Adjustments are made as per the variance report

#### Adjust the bank statements

Bank balance should be the corrected balance. This is done by adding deposits in transit, deduct outstanding cheque, add or deduct the bank errors.

#### Adjust the cash account

Adjust this account by adding interest or deducting monthly changes and overdraft fees

#### Example

Zuku company ltd has a balance of 230,000 as of march 31<sup>st</sup> 2018. balance per cash book as 31<sup>st</sup> march 2018 is 243,000

Additional information

A cheque of 30,000 was deposited but not collect by bank

Bank charges of 5000 were not recorded in the cash book

Cheque of sh.20, 000 were issued but were not paid

Bank interest of 2000 was not recorded in cash book.

**Table 23: Adjusting cash account**

#### Solution

Particulars	Amount DR	Amount CR
Balance		Sh. 230,000
Add cheque deposited	Sh. 30,000	
Bank charges	Sh. 5,000	Sh. 35,000
Less cheque issued	Sh. 20,000	
Bank interest	Sh. 2,000	Sh. 22,000

#### 4.5 Adjustment results are communicated to customer as per bank procedures

Bank communicates to their customers through various methods. They include the following:

- SMS banking
- Telephone
- Mobile phone
- Emails

These methods of communication are secure communication channels that are recorded in the personal information of the customer.

#### 4.6 Adjustments reports are filed as per bank policy

Banks have to file its reports in ways that they can be more accessible in future in case they need to be looked into again. There are different types of banking filing systems and they include;

- **Alphabetical topical filing:** This is the filing according to the topic labeling them in alphabetical order
- **Alphabetical encyclopedia filing system:** Information should be in general category with subcategories that are placed in alphabetical order.
- **Straight numeric:** Labeling files from one and the next in the subsequent numbers.

### Conclusion

This learning outcome covered; variance, causes of variance, reconciliation process, importance of reconciliation and filing and archiving.

### Further Reading



1. Read further in the use of QuickBooks and sage in reconciliation

#### 10.3.4.3 Self-Assessment



### Written Assessment

1. Which of the following is not an un-favorable cause of variance?
  - a) Bad economy
  - b) More competition
  - c) Fall in prices
  - d) Advertisement

2. Which of the following is a component of service level agreement?
  - a) Service agreement
  - b) Statement of problem
  - c) Introduction
  - d) References
3. Service level agreement is legal contract between a service provider and client in which the vendor and service guarantees
  - a) Minimum service charge
  - b) Free upgrade for the length of the contract
  - c) No defects no risks
  - d) Minimum level of service
4. Variance is defined as breaking down data to be viewed in subgroups
  - a) Yes
  - b) No
5. Emails are approved ways of communication by the banks to the customers
  - a) Yes
  - b) No
6. Who contacts the agency about the SLA?
  - a) Customer
  - b) Service provider
7. Which of the following is a reason to suspend an SLA?
  - a) Expiry of the contract
  - b) Payment of service on time
8. Analyse the importance of reconciliation.
9. Discuss what is filing.
10. Identify the causes of variance.
11. Suggest an example of variance report.
12. What do you understand by archiving?

### **Oral Assessment**

1. State the component of SLA's report.
2. What is a comparison report?

### **Practical Assessment**

Safaricom Kenya ltd is an organization that provides service in Kenya. Through Safaricom pay-bill no 423655 customers of GOTV are able to pay their services. Do research on how the reconciliation of the above transactions are handled by both GOTV Africa and Safaricom.

#### 10.3.4.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/white board

#### 10.3.4.5 References



Hightower R (2008). Accounting and Finance policies and procedures. John Wiley & Sons, 2008


Weygant J.J Kimud, P.D & Kieso D.E (2009). Managerial accounting tools for business decision making. John Wiley & Sons, 2009

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### 10.3.5 Learning Outcome No 5: Recovery of default account

#### 10.3.5.1 Learning Activities

Learning Outcome No 5: Recovery of default account	
 <b>Learning Activities</b>	<b>Special Instructions</b>
5.1 Identification of default account as per repayment report 5.2 Informing customer of their status as per repayment report 5.3 Reclassification of credit facilities as per payment performance 5.4 Notification of credit reference bureaus of the customer status as per regulatory requirement 5.5 Identification of collection agencies as per bank policy 5.6 Set Service Level Agreement as per bank policy	Demonstrations  Case studies  Discussions

#### 10.3.5.2 Information Sheet No10/LO5: Recovery of default account



##### Introduction

This learning outcome covers; classification of credit facility account, delinquent account, constitute of delinquent account, consequences of default, recovery option, and recovery process.

##### Definition of key terms

**Repayment report:** It is a document that shows all the repayments that an individual borrowed has made to clear the loan borrower. It shows the amounts and periods of payment it also shows the percentage completion level.

**Reclassification:** This is the process of transferring one credit from one class to another depending on the completion rate and the risk level of the credit.

##### Content/Procedures/Methods/Illustrations

#### 5.1 Default account are identified as per repayment report

##### Default Account Definition

A default account is an account on the loan repayment report which shows that an individual has not paid their previous debt balances. In case you have a default account, you attempt to apply for a loan, creditors are likely to check your credit profile and once they find you are in the credit default section, you are likely to be considered as a high risk debtor and they might not give you the loan. There are different types of accounts that individuals might default, the process of identifying default accounts is quite extensive and involves looking into the repayment period.

### **Factors that Determine Credit/Loan Default**

- **Absence of the will to pay.** Some borrowers may generally lack the will of repaying the credit as they feel they are benefitting the creditor.
- **Diversion of borrowed funds.** During the time of borrowing, a borrower will have a specific need or reason for borrowing, once they receive the money; they get other needs that may be more important and urgent as well. Once these finances have been diverted, it might become difficult to repay the loan and this leads to credit default.
- **Poor appraisal by credit officers.** Before extending a loan to an individual, the credit officers should assess the credit worthiness and ability to pay the loan. Poor appraisals might make the credit officers think that the borrower might be able to pay, but in the end the borrower is unable to pay leading to credit default.
- **Effect of exchange rate depreciation.** This occurs mostly in borrowings that involve multi-currencies such borrowings require to be changed to the local currency. If the exchange rate depreciates it will affect the repayment probability of debtors as they may not wish to incur an extra cost in exchanging the currency.
- **Adverse economic shocks:** Changes in the economic conditions hamper the ability of individuals to repay their loans and contribute to increased rates of loan default. Economic shocks can cause inflation and reduce money supply.

### **How to Minimize loan Default**

#### **i. Use of collateral**

When banks offer loans, they demand for a collateral which can be used to repay the loan when a borrower defaults. Collateral helps to reduce credit default risk.

#### **ii. Securitization of credit**

This means securing of credit by using insurance sectors. Once the credit is securitized or insured, it can be reclaimed from the insurance providers if the borrower defaults.

#### **iii. Proper appraisal**

According to Basel requirements, credit facilities should make appropriate appraisals to track the credit record of a borrower before extending credit. Prudent and sound appraisals will enable the credit facility to offer credit in areas where they have some level of certainty in repayment.

### **Effects of Loan Defaults to credit Facilities**

According to Basel requirements, credit facilities should make appropriate appraisals to track the credit record of a borrower. Effects are as follows:

- It limits the financial growth of financial institutions
- It reduces the lending capacity of credit facilities
- It affects the general performance of credit facilities
- It will lead to capital inadequacy which may further result in solvency
- It reduces the profits of the institution

## Identifying a Default Account

From the repayment report, you can check under repayment history. The repayment history of each client of a default account will have a D mark, the arrears that have led to the default account will be marked with numbers 1,2,3,4 or 5.

### 5.2 Customer are informed of their status as per repayment report

Customers are informed of their status as per repayment report. Depending on the category of the customer in the repayment report. The credit facility through the credit officer notifies the customer of the status of the payment as per the payment report.

#### How to inform a customer

Once the bank or credit institution has established a repayment report of an individual, it will take a stop to notify the client about his/her repayments status. The bank can inform the customer by:

- Calling the customer during daytime hours
- Sending notification message
- Writing an e-mail to the customer
- Contacting the customer through the guarantor if the above strategies fail

#### Type of default account

##### Delinquent account

A delinquent account is an account that the customer has not made his/her minimum monthly payment when comparing with the most recent date that the payment was supposed to be made. In most cases, once a customer account becomes delinquent after 30 days, if the account exceeds 60 or more days, then the credit company begins to process for the collection of its credit card.

#### Consequences of Default to a Borrower

- **Risk rate defaulting:** This shows the probability that the borrower will not be in a position to maintain financial ability to make periodical payments or planned in the repayment agreement.
- **Loss-given default:** This incorporates and compares individuals with different loan amounts and with different credit ratings. However, even if an individual has a good credit rating with a high income and is given more loan than an individual with low rating. The level of risk with an individual who has a huge loan is high compared to the individual with a less amount of loan.
- **Rate of exposure:** This refers to the total loss a lender is exposed to by the time of giving credit. It is important to consider the risk exposure before extending credit to an individual or organization.
- **Destroys credit rating of a borrower**
- **Hurts future loan opportunities**
- **Limits access to credit facilities**

### 5.3 Credit facilities are reclassified as per payment performance

A credit facility is a certain type of loan that is provided in the context of a business. The credit facility gives the person borrowing an opportunity to borrow for a certain period of time. A credit facility allows a company to take a loan so that it can generate capital for a longer period of time.

#### Depending on the payment performance, the credit facilities are reclassified

Reclassification refers to the process of categorizing credit depending on the level of risks associated with the credit. They can also be reclassified based on the complexity and the nature of loaning activities. The lending activities for large banks are complex as compared to the lending activities of small banks. Depending on the risks, credit facilities are reclassified into:

- **Performing credit facilities:** These are loans that are fully secured by liquid securities or physical properties. Example is a mortgage credit facility
- **Potential problem credit facilities:** These are credit facilities that show early warning signs of default. Such credit facilities may have other issues associated with them. As a result, they may need close monitoring.
- **Impaired credit facilities:** These are credit facilities that need specific provisions and other remedy actions. Some of these credit facilities may have been transferred to a credit agency.

Credit facilities are reclassified based on the following conditions

- Financial conditions of a borrower
- The repayment history of the power
- The value of the collateral that the borrower has provided

#### Types of Credit Facilities

- Revolving credit facility
- Committed facilities
- Credit letters
- Credit rental accounts

#### Credit Retail Facility

This refers to a method of financing that is mostly used by retail companies; they are characterized by credit cards.

**Revolving Loan:** This is a form of finance that financial institutions give to borrowers an opportunity to reduce, or withdraw the loan again. It is characterized by a fluctuating interest rate.

**Committed Facility:** It is a source of short-term loan where the creditor provides credit financing to a company provided that it meets the expected requirements. The loan provided has a certain limit.



#### **5.4 Credit reference bureaus are notified of the customer status as per regulatory requirement**

Debt recovery is the holistic process that is involved in recovering the loan or credit that the borrower has not paid. In the process of debt recovery, a credit institution can choose to hire a third party who will help to collect the money.

##### **Debt Recovery Collection Process (Steps)**

- i. The process begins when a borrower has not paid after 30 days beyond the last repayment date
- ii. The creditor attempts to make contacts with the borrower by phone
- iii. The borrower can provide an explanation and set a new date for repayment
- iv. After 30 days of control a different department takes up the role of debt recovery
- v. After a period of 180 days, the creditor will still contact the borrower. If there is no response, the creditor will notify the credit reference bureau
- vi. The creditor can choose to sell the debt to a collection agency
- vii. Once the agency takes ownership of the debt, the creditors will claim the debt from the agency
- viii. The collection agency reviews the claim
- ix. Once it has ascertained the validity of the claim, it will write a demand letter to the debtor and an acknowledgment note is sent to the creditor
- x. If the debtor fails to cooperate the details of the debtor are forwarded to the attorneys who will recommend a legal action
- xi. If a legal action is authorized, the client prepares and files a lawsuit. However, if the client does not want to follow the legal action, the debt collection services works with the cause for an additional number of 60 days and then closes the case.

##### **What are the regulatory requirement that credit reference should meet?**

A person or company shall operate a bureau if it meets the following regulatory requirements:

- The bureau is established and incorporated as a company under the companies Act
- The bureau is licensed
- The CBK requires a credit reference bureau to have adequate capital and human resources necessary for running the activities of the bureau
- The credit reference should have an adequate management information system and an efficient internal control system
- Pay the CBK an annual fee of one hundred thousand shillings for license

### **Consequences of failing to comply with the regulatory requirements**

- The company shall be liable to a fine of not more than 100000
- The regulatory body will revoke the license of the bureau and stop its further dealings
- The central bank shall take control of the bureau
- The bureau will receive a winding or resolution order

### **Actions that a debt collector is not permitted to do**

- Calling the debtor several number of times either before or during the morning or after 9 pm.
- Contacting the debtor at his/her place of employment If the supervisor does not approve
- Informing other parties about the debt
- Using abusive or harassing language
- Presenting false information surrounding the debt
- Giving threats to the debtor
- Contacting you further after you have provided a letter of desist

### **Debt Recovery Options**

The options available for recovering debt include:

- Writing a letter of demand to request payment
- Initiating judicial proceedings
- Providing a statutory demand
- Commercial form of settlement through arbitration

### **5.5 Collection agencies are identified as per bank policy**

Each and every bank or credit institution has policies on the collection agencies that it can use in case of loan default. Once a borrowed has defaulted and the attempts of the creditor have not provided any results, the bank will inform the collection agency which will take the initiative to follow up on the debtor. Before agencies are identifies, the bank will gather the following information that it will offer to the collection agency.

- History and experience with the debtor
- All related data that may affect collectability
- Any adjustments made regarding the credit
- Any promises that the debtor may have made

### **5.6 Service level agreement are set as per bank policy**

These are documents that contain information on the standard and quality of service that a financial institution such as bank should offer. The agreement ensures that an institution gets the right or prescribed services based on quality. The main purpose of a service level agreement is to specify the performance expectations.

The agreement has the following components:

- Category of service
- Acceptance range of quality
- Definitions on the 3 terms under measurement
- The frequency or interval of measurement
- Relevant penalties for failing to perform

### **Steps of developing service level agreement**

- i. Develop objectives by reviewing the needs of a financial institution
- ii. Defining the specific requirements and needs to improve efficiency
- iii. Setting measurements and metrics for measuring service levels
- iv. Developing and establishing accountability to include clear statements of the outcomes

### **Areas to consider when developing a service level agreement**

- areas with high performance risks
- functions that a bank intends to measure
- areas where requirements are linked to goals
- area that require huge amounts of money

### **Importance of service level agreement**

- Helps in measurement of results of institutional activities
- Gives banks an opportunity to take appropriate actions for failed activities
- Helps to guide service providers through feedback
- Helps in comparing results against service levels

### **Bank policies**

- Transactions regulations
- Lending regulations
- Financing regulations
- Investment regulations
- Reporting regulations
- Guarantee policies

### **Conclusion**

This learning outcome covered; classification of credit facility account, delinquent account, constitute of delinquent account, consequences of default, recovery option, and recovery process.

## Further Reading



1. To read further on the ways that credit institutions can develop strategies to effectively collect amounts that debtors have defaulted.

### 10.3.5.3 Self-Assessment



#### Written Assessment

1. Which of the following factors does not affect credit default?
  - a) Lack of will
  - b) Diversion of use
  - c) Poor appraisal
  - d) Desire to repay
2. The following are true about effects of defaulting, which one is not?
  - a) Limits financial growth
  - b) Reduces lending capacity
  - c) Affects general performance
  - d) None of the above
3. Credit institutions can use the following strategies to reduce the risk of default apart from one, identify it?
  - a) Proposal appraisals
  - b) Use of collateral
  - c) Providing unsecured loans
  - d) Use of guarantors
4. How many processes are involved in the debt recovery process?
  - a) One
  - b) Three
  - c) Four
  - d) more than four
5. The following are debt recovery options except one, identify it?
  - a) Calling a debtor and threatening him/her
  - b) Writing a demand letter
  - c) Initiating judicial proceedings
  - d) Providing a statutory demand
6. A debt collector is supposed to do the following except one, which one?
  - a) Calling a debtor beyond 9 pm and before 8 am
  - b) Threatening a debtor
  - c) Using an agency to collect his debt
  - d) Provide false information about the debt

7. Financial institutions can apply the following strategies to reduce risks apart from one, which one is it?
  - a) Using collaterals
  - b) Insuring the credits
  - c) Securitization of the credit
  - d) Delinquent credit
8. Elaborate on what is a delinquent account.
9. Discuss the differences that exist between a delinquent account and a default account.
10. Analyse the strategies used in reducing the probability of defaulting.
11. What do you understand by the term debt recovery?
12. Identify two debt recovery options that exist to a creditor.

### Oral Assessment

1. Mention two consequences of having a default account.
2. Can a creditor file a legal proceeding against a non-compliant debtor?

### Practical Assessment

A student has decided to engage in a shylock business and provide credit facilities to his fellow students in need of finances to pay up for their school fees. After doing the business for a period of time, he realizes that the business is very profitable. However, he has one student who has refused to repay the loan. Suggest the recovery options available to the shylock.

#### 10.3.5.4 Tools, Equipment, Supplies and Materials

- Writing materials
- Projector
- Computer
- Flip chart/white board
- Stationary

#### 10.3.5.5 References



- Charana, D. Q, & Were S. (2018). Influence of Strategic management process on loan Recovery. A case of higher education Loans Board, Kenya. Journal of strategic management. 2(2) 18-31.
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