

Late payments, bad business

Late payments to SMEs from debtors is painful, but there are ways to avoid it, advises KeshMahinder Singh, President and CEO of Kollect Systems Sdn Bhd

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It is not breaking news that the entrenched culture of late payments is badly affecting Malaysian SMEs. The decades old practice of paying late has caused SMEs to face cash-flow problems.

The psychology of it, KeshMahinder Singh concludes, is that it is the factor of 'Mind share leading to Wallet Share'.

When asked to elaborate further on the matter, KeshMahinder, who is the Founder and CEO of Kollect Systems Sdn Bhd said, "It's a universal fact that the person who makes the most noise repeatedly gets the attention. This is the case for a hungry child shouting the most for food from the parents compared to other children at home, gets the desired result.

"The psychology of the SME debtor is the same too; until they are reminded and chased often enough, they will not pay quickly," he added in an interview with MALAYSIA SME®.

As a means to avoid this pitfall, KeshMahinder counselled SME's to not only depend on human factors for collection, but to leverage the use of technology extensively.

"We call this the hybrid approach, adding technology collector with the human factor. The current practices of SMEs show a weaknesses and over-dependency on the staff's collection efforts. At some point every week or month accounts receivable staff do get tired of calling and reminding the debtor to pay up.

"So with the extensive use of SMS and emails, the burden is reduced on the internal staff. The reminders go straight to the inboxes of such debtors and can be done repeatedly anytime," he said.

"Next, if the company issues and serves more than 300 invoices monthly on average, then they are well suited for automation, as they would be less reliant on the old ways of depending on individuality of collection staff struggling to achieve efficiencies," he said at the MALAYSIA SME®'s Economics Conference Series 2017.

During his presentation, entitled 'Managing Trade Credit and Collections of Accounts Receivable with Advance Technologies to any ERP/Accounting System', KeshMahinder began by highlighting the point that most people only



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Following this, he showed the audience results from an earlier survey conducted by INTI International University and Colleges, MALAYSIA SME® Media Group and RAM Credit Information (RAMCI). The survey showed that out of the 2,000 participating SMEs, 73 percent of them suffered from late payments, with the average bad debt written off by SMEs as RM52, 100 per year.

He added that due to continuous late payments, there were higher numbers of insolvency as well as legal cases.

KeshMahinder further stresses that late payment of invoices has a continuously damaging effect on SMEs in the sense that there would be cash-flow problems later on for them.

He points out that the late payments were forcing companies to revoke 'credit terms' and go with 'cash terms'. In relation to this, creditors had to pay GST Returns upfront out of their own pockets on behalf of delinquent customers, compounding their cash position.

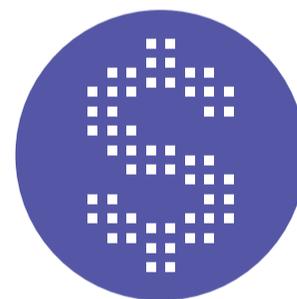
When asked about his thoughts on the recently concluded Conference, KeshMahinder expressed his satisfaction as it addressed some of the key areas of focus in the space of trade credit.

"The first thing to note is that there is sufficient data collated and presented by RAMCI and INTI's business survey that the problem of late payments by delinquent customers is a real pressing business problem. MSME

The new mantra for better cash flow



Remind early & often



Enable online payments



Automate more



Empower via self service



paid when they are either reminded or chased.

Kollect Systems is a leading technology provider of Revenue & Arrears Collections, Debt Recovery and Agency Management Software Solutions. They provide specific solutions to help its Customers focus on their clients, reduce arrears and optimize profits.

As experts in Revenue & Arrears Collections, Debt Recovery and Agency & Legal Management, Kollect continuous-

ly brings enterprise level scalable software technologies to the doorstep of its customers.

Kollect provides its customers, KollectValley, a Cloud and on-premises based A/R management platform which integrates with ERP and Accounting systems. This solution helps to automate and streamline the Accounts Receivable Collections and debt recovery processes, enabling organizations to get paid on-time, improve cash flow, enable custom-

ers to access their own financial invoice information via self-service portal, facilitate online payments and manage overall KPI tracking better.

KeshMahinder added that in today's business world, companies rely on aging reports as the primary tool to manage cash-flow and collections. Most of the reminders are not system-managed; instead they are personality dependent, while the costs of collections are not measured.