



TreasuryPulse

Passion to Perform

The Collections Challenge in Indonesia



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Indonesia, Asia's 4th-most populous nation, spans over 17,000 islands and covers 1.9 million square kilometers. Taking into consideration the country's vast geographic reach, scattered population, limited transportation modes and infrastructure, companies selling goods and services across the country face a huge challenge when it comes to collections, a challenge compounded by the fact that cash and cheques are still the primary payment modes in the country.

The Collections Challenge

In order to cope with such challenges and handle all the incoming cash and cheque deposits, companies typically have to maintain accounts with multiple banks with wide networks of branches across the country. Many of these companies also adopt a "bank overlay" structure, which involves the appointment of a regional or international bank as centralized overlay account provider who works with their local cash management banks.

Maintaining multiple banking relationships is far from ideal for the treasurers of these companies. Generally, there are also variations in banking platforms, cut-off times, policies, pricing, documentation and service standards. More importantly, it results in larger trapped float in such segregated bank accounts.

Additionally, the cash and cheque deposits made at various branches of multiple banks across the country render reconciliation very difficult and inefficient, as it is hard to match the funds received to the payers in cash and cheque collections. Even

when payers can be identified, a measure of manual processing is often required before the information can be used for reconciliation purposes. This is not only time-consuming but also prone to errors. On top of that, due to process inefficiencies there is often a delayed receipt of effective funds at the overlay level, which would pose a challenge should the company need ready funds in order to pay its suppliers in a timely manner.

Partner Bank

Deutsche Bank has established a suite of cash management solutions designed to assist retail companies in Indonesia in addressing the above challenges.

Despite having a limited branch network in Indonesia, Deutsche Bank is able to serve its clients across the country by leveraging its partnership with local banks with broad networks, effectively extending our reach across the country. With the partner bank approach, we offer our clients a "single point-of-contact," which means that our clients no longer need to endure the inconvenience and expense of maintaining multiple bank accounts.

Where clients may previously have had to use a number of diverse banking platforms, our partner bank solution streamlines their electronic banking access to a single, standardized platform. This solution gives clients better visibility of their cash flow with a single consolidated report of their receivables, minimizes cash-in transit along with its attendant operational risks, and brings greater efficiency to their collections process, minimizing any delays in replenishing the overlay account.

Reconciliation

With efficient reconciliation being a fundamental step to managing receivables, Deutsche Bank has developed an end-to-end reconciliation solution that helps the company reconcile incoming sales proceeds to the relevant payer and underlying transaction. This greatly simplifies and speeds up what was previously a tedious, time-consuming, labour-intensive and error-prone process.

Unlocking Liquidity

Additionally, the Bank may, subject to satisfactory credit assessment, purchase a client's post-dated cheques that it may have received from its buyers, helping to improve the client's working capital management.

Emerging Trends

With the growing emphasis on efficiency, timeliness and security, there is an emerging trend for companies to gradually move from "cash" to "cashless" collections via electronic means — for example, through the auto-debit mechanism. In the absence of an auto-debit infrastructure in the country, Deutsche Bank has taken the initiative to enter into bilateral arrangements with some partner banks whereby our client's buyer, who has an account with the partner bank, can authorize Deutsche Bank to effect an auto-debit from his account with the partner bank as per receivables invoiced by the seller who is our client.

With our understanding of clients' needs, Deutsche Bank continues to harness technological expertise to develop mobile solutions and alternative channels to address the collections challenge facing companies in Indonesia, enabling them to shorten the collection cycle and maximize their working capital efficiency.