# THE EFFECT OF CREDIT MANAGEMENT POLICY ON THE PERFORMANCE OF LOGISTICS COMPANIES IN UGANDA: A CASE OF BOLLORE AFRICA LOGISTICS (UGANDA) LIMITED.

BY

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## DECLARATION

I, **Patricia Were,** declare that the work presented in this book is my own original work and has never been submitted for award of a degree in any University / College / Institution in or outside Uganda.

**SIGNED …………………………………..**

**DATE: …………………………………….**

## APPROVAL

This is to certify that this study has been carried out under our supervision and has been submitted with our approval as partial fulfillment for the award of the degree of Masters in Management Studies (Financial Management) of Uganda Management Institute under the title;

"The effect of credit management policy on the performance of logistics companies in Uganda: A case of Bollore Africa logistics (Uganda) limited"

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**Mr. Bagambe Henry**

Signed……………………………………..…… Date……………………………….

## DEDICATION

To my parents for the tremendous support all round my long educational journeys and my brothers for the motivation and inspiration to make life a better place for all.

## ACKNOWLEDGEMENT

Primarily, I give thanks to the almighty God, for His grace and love supersedes all reasons and situations. The wisdom, perseverance, guidance and persistence that have enabled me complete this study stemmed from Him: to Him I give the glory. I extend my gratitude to my supervisors Dr. Kasozi-Mulindwa Saturninus and Mr. Bagambe Henry whose assistance, discussions, guidance, commentary, patience and knowledge has greatly contributed to the quality of this work.

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## LIST OF ACRONYMS

| | |
|---|---|
| **ANOVA:** | Analysis Of Variation |
| **BAL:** | Bollore Africa Logistics |
| **CCC:** | Cash Conversion Cycle |
| **CVI:** | Content Validity Index |
| **DSO:** | Days Sales Outstanding |
| **E.T.C**: | Et cetera |
| **PwC:** | Price Water Coopers |
| **ROCE:** | Return On Capital Employed |
| **SPSS:** | Statistical Package for Social Scientists |
| **(U):** | Uganda |
| **WCM**: | Working Capital Management |

## ABSTRACT

This study assessed the effect of credit management policy on the performance of logistics companies in Uganda using Bollore Africa Logistics (U) Limited as a case study. The objectives were to establish; the relationship between the contractual and commercial credit policies and performance of Logistic firms in Uganda; the effects of credit collection policy on the performance indicators; and finally to look at the extent to which the dispute and provision credit policy affects performance of Bollore Africa (U) logistics. A cross sectional case study design was used. A mixed approach of both qualitative and quantitative was adopted. The study population of 40personnel utilized 36 of these respondents for the study. Simple random sampling technique was used to select the participants from the class of 8 heads of departments and the 26members of the finance department. Purposive selection technique was used to select respondents from the top management and census for the credit control team. Quantitative data analysis mainly consisted of descriptive statistics which were mainly frequencies and percentages and inferential statistics which included spearman correlation, coefficients of determination and regression. Qualitative data analysis involved content analysis which was used to edit qualitative data obtained from the documentary guides and reorganized it into meaningful shorter sentences.

Findings revealed a moderate positive effect of contractual and commercial credit policy on performance with an account of 23% impacts on performance, credit collection policy portrayed a weak positive effect on performance with 15% impact and lastly the dispute and provision credit policy with 39% established a strong positive effect on performance. Based on the above findings it can be concluded that credit control management plays a pivotal role in the performance of logistic firms and the study recommends that logistic firms should lay focus on division of tasks between departments in relation to management of credit policies, second, information should be circulated both vertically and horizontally to relevant stakeholders and finally business document verification at all points of engagement should be prioritized.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Introduction

This chapter presents the background of the study, the problem statement, the purpose of the study, the general and specific objectives, the research questions, the research hypothesis, the scope of the study, justification of the study, and the operational definitions of the terms and concepts. The study used Bollore Africa Logistics (u) Limited as a case study. Credit management policy was looked at as an independent variable and performance as the dependent valuable. The study also examined how risk and reputation factors affect the relationship between the independent and dependent variable.

According to Anita (2009) credit extension is a potentially valuable way of securing a larger market share and improving organizational performance in today's competitive environment. Organizations put in place credit policies to ensure that their objectives are achieved. This study therefore, investigated the effect of Credit Management policies on the performance of organizations.

## 1.2 Background to the study

The background is structured in historical, theoretical, conceptual and contextual aspects which thoroughly explain credit management policy and organizational performance in logistic organizations in Uganda using a case study of Bollore Africa Logistics (U) Ltd.

## Historical background

Van Horne (1994) and Pandy (1995) argue that credit management is a guideline or frame work formulated by organizations to be followed in extending credits to borrowers. Effective credit management however; is possible with establishment of effective credit policies. Credit management policies are a set of policy actions designed to minimize costs associated with credit while maximizing the benefits from it. A company will always follow a lenient or stringent credit policy. A lenient credit policy tends to give credit to customers on very liberal terms and standards whereas a stringent credit policy will give credit on highly selective basis only to those customers whose credit worthiness has been ascertained and who are financially strong. Worldwide Organizations involved in extending credit put in place a policy to guide extension and management of credit to reduce on bad debts that have an effect on the financial performance.

Globally the outlook on credit management lays focus on the credit worthiness of a customer. This evaluation should be done on the basis of: Customers' quality of business and the ability to satisfy the debt obligation (Fabozzi, 2009). The African continent on the other hand does not embrace a universal credit management policy due to its differing maturity levels regionally (Nelly, 2011). Credit-worthiness's key in reducing risk for the lender and costs for the borrower, ultimately leading to improved financial access, better financial liquidity and improved economic growth for a credit offering organization (Abdalla, 2014).

Narrowing down the spectrum to the East African region, credit management parameters considered pertinent towards the business' financial performance are:-The default rate employed, bad debt cost and cost per credit asset.

The need to formulate and design strategies that not only minimize the exposure of the business to credit risk but will also enhance the profitability and competitiveness of the business is pertinent (Danson and Adano,2006).

Specifically, Ugandan businesses commonly suffer from inability to generate cash from their operations which often forces them to borrow more money or to dispose of their capital investments to meet their obligations and this often leads to involuntary bankruptcy if such situations persist over a period. Business success/failure in Uganda is highly attributed to the volume of the net cash inflows and outflows from a firm's activities, failure in this case can be cited with the closure of both Greenland bank and cooperative bank in 1999, international credit bank in 1998. The inadequate management of business cash flows often results into failure of these businesses. Underperformance and low levels of liquidity, profitability, solvency and growth in Uganda have been sighted to relate to income inequality, access to finance, poor credit policy and late payments by debtors, with debtors taking the business for granted and at times not paying their bills. Other shortfalls have been due to, wrong pricing; little profit margin, excessive overheads (multiple taxes, high taxation, high interest loans).These issues are largely linked to inappropriate cash flow management and in order to achieve profits the need to (manage their cash flow) increase income or reduce expenses is paramount, (Gilbert,2013).

### 1.2.1Theoretical background

The need for credit management policies exists to create a balance between a firm's liquidity and profitability inter-changeably to maintain a realistic cash flow cycle as well as to have a business growth incentive. This study adopts two theories to explain credit management policies and performance. These were the Padachi's theory on credit management which states

that a well designed and implemented working capital management is expected to contribute positively to the creation of a firm's value and the balanced score card which explained performance.

**The Padachi Theory on credit management**

Padachi's theory on credit management states that a well designed and implemented working capital management is expected to contribute positively to the creation of a firm's value.

Some of the variables proven as best practices in credit management contributing to a firm's performance are; inventories days, accounts receivables days also measured through days sales out-standing, accounts payables days and cash conversion cycle have been analyzed. Other significant variables include liquidity, profitability and operational efficiency.

A firm's performance over whole is affected by both external and internal factors, external factors being economics conditions, competition, government regulations, technology and environmental factors and internal factors being; managerial skills, work force, accounting systems and financial management practices.

In financial management practices, working capital in the sense of flow of funds is as necessary to maintain a business as the circulation of blood is necessary in the human body to maintain life. If it becomes weak the business can hardly prosper and survive. A firm's success depends ultimately on its ability to generate cash receipts in excess of disbursements. (Padachi, 2009)

Capital invested in working capital is often high in proportion to the total assets employed and so it's vital that these amounts are used in an efficient and effective way.

A firm can be very profitable but if this is not translated into cash from operations within the same operating cycle, the firm would need to borrow to support its continued working capital needs.

Thus the twin objectives of performance ie profitability and liquidity must be synchronized and one should not impinge on the other for long.

Relationships between working capital and profitability are examined as return on total assets is used to measure profitability.

With high investment in inventories and receivables lower profitability is likely to be recorded.

A firm is required to maintain a balance between liquidity and profitability while conducting its day to day operations.

Liquidity is a pre-condition to ensure that firms are able to meet short term obligations and that continued flow can be guaranteed from a profitable venture.

A business manager is always faced with a dilemma of achieving desired tradeoff between liquidity and profitability in order to maximize the value of a firm.

If and when resources are blocked at the different stage of the supply chain, this will prolong the cash operating cycle.

Although, this might increase profitability (due to increase sales), it may also adversely affect the profitability if the costs tied up in working capital exceed the benefits of holding more inventory.

**The Balanced score card**

In today's dynamic and rapidly changing workplace and globalized economy, development of organizational performance is associated with the development of personal performance, skills, knowledge and experience (Covey, 1998) and ( Joneset et al,2000). However, the ability to achieve and maintain high performance and productivity in organizations is a key challenge facing management today. An applicable theory for performance is the balanced score card in which (Kaplan and Norton, 2001) in their theory base on three main areas; measurement, human resource and customer value disciplines.

*"The balanced scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system*".

This strategic management system measures organizational performance in four balanced perspectives; financial, customer, internal business process and learning and growth. With focus on the financial strategy which summarizes the readily measurable economic consequences of actions already taken, the scorecard is created with an organization's management translating the mission, vision and strategy.

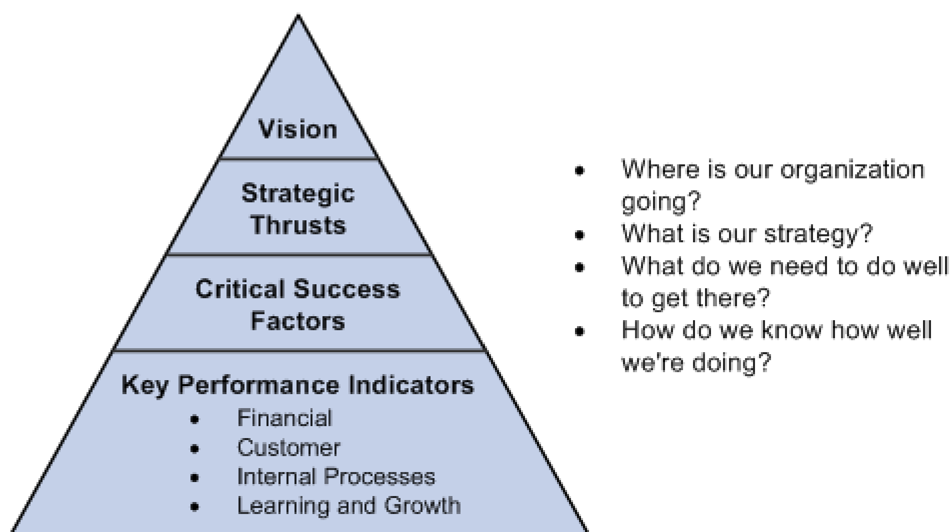



**Fig.1.1 Balanced scorecard strategy map**

**Source:** *Adopted from Kaplan and Norton (2001) Balanced scorecard strategy map.*

With the above pyramid, showcase of clarification and translation of the vision and strategy, communication and linking strategic objectives and measuring, planning, setting targets, and aligning strategic initiatives, enhancing strategic feedback and learning. These four strategic management processes are the keys to the Balanced Scorecard theory.

The ultimate goal behind balanced scorecard theory is to measure the factors that create value for an organization and directly influence its ability to prosper.

With questions such as; where's the organization going? , What is our strategy? , What do we need to do well to achieve our strategy?

In this theory the financial measurement goal should serve as the focus for the goals in all the other perspectives. They indicate the ultimate financial performance to expect in a given balanced scorecard .E.g. return on investment, profitability, sales growth and cash flow.

An effective balanced scorecard needs a combination of both performance drivers and outcome measures where performance drivers are leading indicators and outcomes are lagging indicators. Without measures such as profitability, market share or customer satisfaction among others a scorecard does not provide an indication of how well the organization is performing.

Objectives and measure need to be linked through cause and effect relationships. Casual paths from all the measures on a scorecard should ultimately link two finance objectives. This not only indicates how each measure impacts the financial goals but it also illustrates to all members of the organization what impact their actions have on the outcome of the overall strategy. With this theory the cornerstone upon which this study will be based on for empirical investigations on the performance side.

### 1.2.2 Conceptual Background

This section covers the definitions of key variables in the study. It then explained how the variables would be defined as per the study. This research proposed to examine the relationship between contractual & commercial credit policies, credit collection and dispute & provision credit policy with the view of examining how they contributed to performance in logistic firms.

Credit Management Policy is variable and by context defined in different given spheres of education such as Credit Management in banking institutions, where it refers to the process

steps for data collection and import, credit policy checks, risk assessment and approval of credit applications (Bosch, 2011).

In the sales and distribution atmosphere, credit management is referred to as the extension of credit to customers buying goods and collecting money at a later point of time (Priyadharshini, 2011).

Importantly in respect to Finance the following precise definition and understanding is lain out; A system of checks designed to ensure that customers pay on time and do not owe more than their credit limit (Anita, 2009).

According to Günther (2004), credit management refers to the contractual policy as credit approval stage in which credit approvals stem from the heterogeneity of the products concerned as these tend to be diverse. That said, it becomes possible to single-out individual components to optimize efficiency and minimum risk. This entails credit reviews that aim to create transparency concerning the risk level of a potential exposure (thus helps avoid substantive errors) and also internal guidelines that intend to avoid procedural errors. With proper implementation of credit approvals the performance of the firm eliminates risks, errors and hence a positive effect on the performance of the firm.

Maximizing cash collection requires implementing a strong effective and consistent process, it is essential to ensure that the collection activity is robust enough to guarantee the firm is always the first to be paid, thus protecting cash flows but realistic enough to accept that some debts do become uncollectible and these should no-longer be considered as assets (Julia, 2009).

And interestingly, even though the competitive effect of cash tends to decrease over time, a positive and significant coefficient on cash exists. This positive and significant coefficients on cash, confirms that having more cash than rivals allows firms to expand market share over a longer horizon (Laurent, 2010).

Receivables conversion period is defined as the time -period between sales products on credit and collecting the cash from the customers. Financial managers should select and use appropriate credit policies not only to attract clients in a manner that enable firms to compete with their competitors but also to minimize the financing cost of these credits.

A Provision is an accounting principle where an estimation of potential losses that a company might experience due to a credit risk is done. It is an estimated amount to be lost and is treated as an expense on the firm's financial statements. Firms that engage in lending activities determine the provision for credit losses based on statistics that define the likelihood that debt will be recovered. This is a means for financial institutions to account for expected losses from delinquent and bad debt.

### 1.2.3 Contextual Background

Bollore Africa Logistics was used as a case study, this company concentrates on logistics, clearing and forwarding and has been operating in Africa since 1927.It is present in 56 countries worldwide, including 46 countries in Africa. It was established to develop interconnections with the different regions to deal with clearing and forwarding of goods across nations dealing with all forms of transport Sea, air, rail and in land water way with the sole aim to provide logistics solutions across continents of the world. Bollore Africa logistics Uganda Limited is one of the leading logistics companies in Uganda which is actively involved in the movement and clearance of goods. In its operation activities it employs a credit management policy which aims at guiding and maintaining its performance objectives. The primary performance indicators such as, days’ sales outstanding, annual profitability and the bad debts written off are measured through this policy, however, the declining trend as illustrated below Table 1, the

company's performance is deteriorating and insightful investigation of the implementation of various policies is deemed relevant.

**Table 1.1 Illustration of the performance indicators' trend for the period 2011 -2013**

| **Performance indicator** | **2011** | **2012** | **2013** |
|---|---|---|---|
| Days sales outstanding (In days) | 94 | 85 | 112 |
| Doubtful Debt (Bad debt) | -113,301,033 | -266,875,064 | -663,187,548 |
| Provision | -1,343,134,021 | -2,132,071,554 | -2,345,151,130 |
| Labor turnover (Resignations off the credit management team) | 2 | 1 | 2 |

***Source;*** Bollore staff reports (2014) and Bollore financial reporting (2010 – 2014).

### 1.3 Problem Statement

Credit Management Policy is one of the systematic and strategic businesses approaches that Bollore Africa Logistics employs in order to minimize credit risk as well as maximize profitability with the use of certain guidelines, mechanisms, standards and parameters (Fabozzi, 2009). For Bolloré to attain maximum benefits from the policy as well as striving to maintain and improve its performance levels both financial and non-financial, it embarks on stringent commercial and contractual policies in place to ensure that before credit facility is rendered, thorough review of potential clients is done, the collection process in place is standardized to ensure all necessary procedures involved are followed, lastly the dispute and provision policy in place is brought to staff attention during induction periods.

However for the periods of 2011 -2013 it is evident that despite the credit management policy in place, the days sales outstanding has drastically risen from 94days in 2011 to 112days in

2013, bad debts averagely increasing annually by 274,943,257.50 Uganda shillings, high labor turnover seen by the departure of credit control team members and the risk provision increasing annually as illustrated in Table 1 above.

Bollore Africa Logistics has a good and systematic credit management policy in place. However, the performance of the company is alarming to the France- Paris head office. This has raised heavy concerns as to whether there it is still financially viable financial to keep the Ugandan Bollore Company operational. Thus, the need to investigate the performance levels of Bollore Africa Logistics (u) limited and implications to all logistics firms.

**1.4 Purpose of the Study**

The purpose of the study was to establish the relationship between a credit Management Policy and performance levels in logistic firms with specific reference to Bollore Africa Logistics (Uganda) Limited.

**1.5 Objectives of the Study**

The study objectives include:

i. To examine the relationship between the contractual and commercial credit policies and performance of Logistic firms in Uganda

ii. To assess how the credit collection Policy affects the performance indicators in Bollore Africa (u) Logistics.

iii. To look at the extent to which the dispute and provision credit policy affects performance of Bollore Africa (u) Logistics.

## 1.6 Research questions

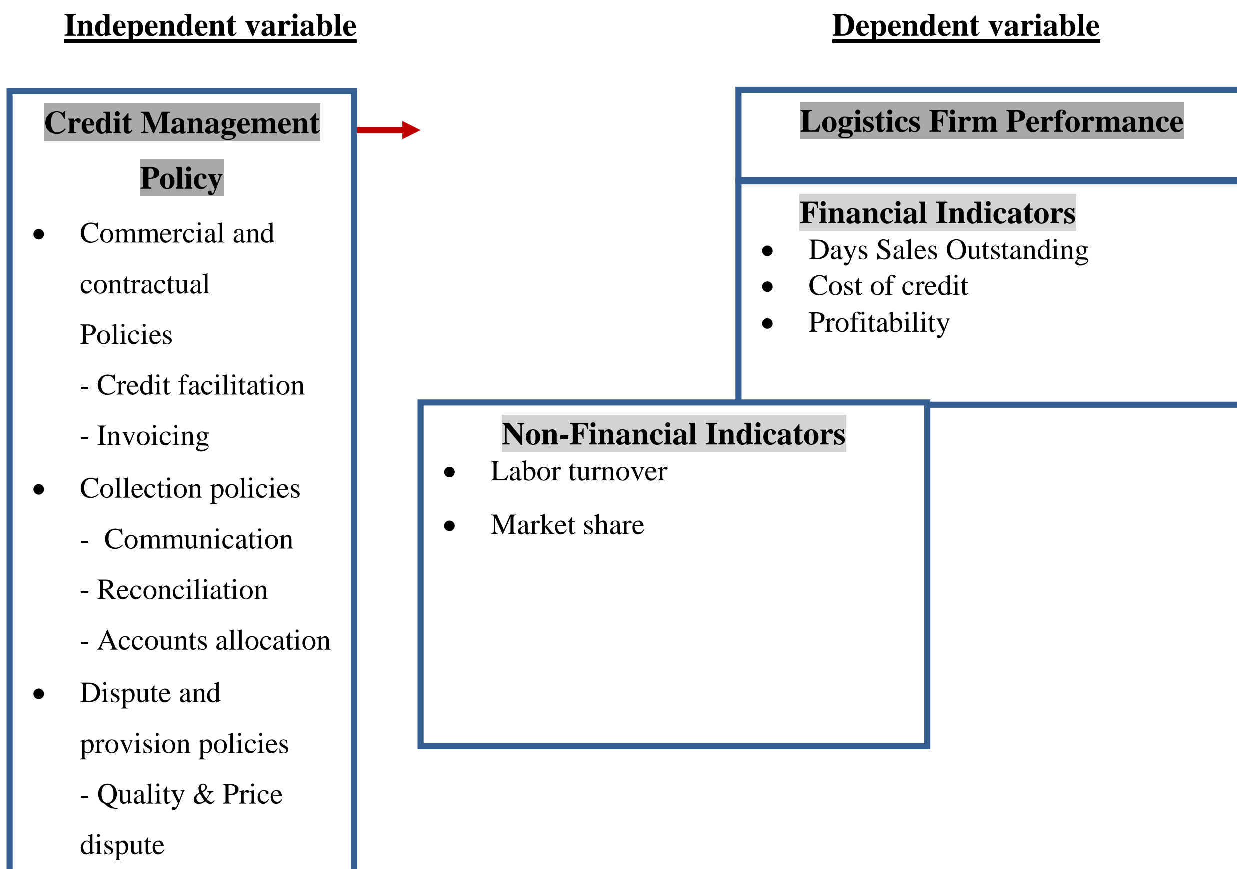
i. What is the relationship between contractual and commercial credit policy and performance in Bollore Africa Logistics (u) Limited?

ii. How does credit collection Policy affect the performance indicators in Bollore Africa (u) Limited?

iii. How does the dispute and provision credit Policy relate to the performance of Bollore Africa (u) Limited?

## 1.7 Conceptual framework

**Figure:1.2: Illustration of the effect of credit management policy on the performance of logistic firms: Case study Bollore Africa (u) Logistics**




**Source;** *Adopted and modified from, Theor (2010); Theoretical and applied electronic commerce research.*

The model portrays two components namely: Credit Management Policy and performance. Credit Management Policy will be looked at under three major elements which are: Commercial and contractual policy, collection policy and dispute & provision policy. On the other hand, the Logistic firm performance will be tackled on two major performance measurements; Financial and non-financial measures of performance.

Policies of credit management are intended to portray and maintain the firms' objected performance results in terms of the Days Sales Outstanding, the cost of credit limits on the firm's cash flow, the profitability of the firm for business viability, the provisions on doubtful debts and the bad debts written off .

**1.8 Significance of the study**

The study aimed to enable the management of Bollore Africa Logistics Ltd- Nakawa to review its credit management policy basing on research findings hence making informed decisions on how to improve the general performance.

The study is to provide information to the management of Bollore Africa Logistics on how micro finance credits can be managed.

The study aimed to help in equipping government, regulatory bodies in the sector and other stakeholders with information on how credit management in firms can be improved.

The research study intends to help logistic companies improve their disputes and provision policies and provide a basis for further research about how credit management affects performance of logistic firms in Uganda and other similar organizations.

Lastly the research findings will add on the existing knowledge about the credit management policies employed, credit collection activities, commercial and contractual credit policies in relation to profitability, days sales outstanding, cost of bad debt, , labor turnover and market share.

## 1.9 Justification of the study

Credit Management is a great financial policy if well understood, works to improve business market share and the well managed policy fosters good cash flows for the business. "There is no greater driver for corporate prosperity than effective credit management" (Peter. B., Alison. C., Claire. O. and Edmund.T. 2009). However the existence of low cash flows and a reducing market share in Bollore Africa logistics raises a question and a research gap to ascertain the rationale behind angular torching to the Credit Management policy to obtain maximum performance benefits from it.

## 1.10 Scope of the study

### 1.10.1 Geographical scope

The study will be carried-out on Bollore Africa logistics (u) limited. Bollore Africa logistics (u) limited has its head office located at plot M611 Ntinda Road P.O. Box 5501, Kampala. 5.3km, from Kampala capital city. It has 10 operating departments with head office in Nakawa – Ntinda stretcher road. The study will engage the Finance, Commercial, Operations *(imports, exports and HUB),* Logistics, Transport and Airfreight departments

### 1.10.2 Time Scope

The study was intended to cover a period ranging between the years of 2011 to 2013. It is in this time era that significant and a continuous down trend in performance is alarming and the urgent need to curb and gravitate the company's performance back to normal and better is imperative.

### 1.10.3 Content Scope

The study focused on the Credit Management policies and Bollore Africa Logistics (u) limited organizational performance. Credit Management policy was studied under *three* herein policies: - Commercial and contractual policy, Collection policy, Dispute and provision policy and how these affect the performance of logistic organizations with focus on Bollore Africa Logistics (u) limited. Organizational performance was viewed based on both financial measures and non-financial measures logistics firms.

## 1.11 Operational definitions

**Logistics**

Refers to the management of the flow of goods between the point of origin and the point of consumption in order to meet some requirements for instance for the customers or corporations.

**Credit**

It is any form of deferred payment. This refers to borrowed money that you can use to purchase goods and services when you need them. It is obtained from a credit grantor, with whom an agreement to pay back the amount spent, plus applicable finance charges, at an agreed upon time is done. Simply put refers to granting of a loan and creation of a debt.

**Credit management**

This refers to the process of controlling and collecting payments from customers. A good credit management system always helps to reduce the amount of capital tied-up with debtors and minimize exposure to bad debts.

**Performance**

This refers to the actual output or results of a firm as measured against its intended outputs (or goals and objectives).

**Days Sales Outstanding**

This refers to the average a business gets paid by it's customers.

It is the measure of the average number of days that a company takes to collect revenue after a sale has been made.

= Accounts receivables * Number of Days

Total credit sales

As adopted from investopedia

**Logistics and supply chain Management**

This refers to the management of the flow of goods.

It includes the movement and storage of raw materials, work in progress inventory and finished goods from point of origin to point of consumption.

**Human Resource Management**

This refers to a system of activities and strategies that focus on successfully managing employees at all levels of an organization to achieve organizational goals

**Bad Debt**

This refers to an amount owed by a debtor that's unlikely to be paid due to for example a company's going into liquidation.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter reviewed of the already existing literature about the variables under study. The researcher tried to review what other scholars and researchers had written about the role of credit management policy systems and performance in order to establish the information gap. This involved a review of published journals, text books, publications and documents, magazines, organization financial reports, previous research reports but only limited to the key variable ingredients under study

## 2.2 Theoretical review

Under this chapter, theories which guided the researcher to understand, explain and predict how credit management policy contributes to performance in logistic firms were reviewed. These theories were the Padachi theory on credit management and the balanced score card by Kaplan and Norton 2001.

### 2.2.1 Padachi's theory

The definition of Credit Management Policy is variable and by context defined in different given spheres of education such as Credit Management in banking institutions, where it refers

to the process steps for data collection and import, credit policy checks, risk assessment and approval of credit applications (Bosch, 2011). In the sales and distribution atmosphere, credit management is referred to as the extension of credit to customers buying goods and collecting money at a later point of time (Priyadharshini, 2011).

Importantly in respect to Finance the following precise definitions and understandings are lain out; A system of checks designed to ensure that customers pay on time and do not owe more than their credit limit (Anita, 2009).

Credit management policy is defined as the rules and guidelines established by top management that governs the company's credit department audits performance in the extension of credit privileges (Jim, 2010). It is simply a set of guidelines designed to minimize costs associated with credit while maximizing benefits from it (McNaughton, 1996).With the knowledge of what the Credit Management policy is, a further in-depth understanding of the policy can be obtained through the presentation of different and varying scholars' presentations and out there given interpretations of the policy and the usage of the policy in the various environments and institutions.

Padachi's theory which is the governing theory of this study on credit management states that a well designed and implemented working capital management is expected to contribute positively to the creation of a firm's value. Some of the variables proven as best practices in credit management contributing to a firm's performance are; inventories days, accounts receivables days also measured through days sales out-standing, accounts payables days and cash conversion cycle have been analyzed. Other significant variables include liquidity, profitability and operational efficiency. A firm's performance over whole is affected by both external and internal factors, external factors being economics conditions, competition, government regulations, technology and environmental factors and internal factors being;

managerial skills, work force, accounting systems and financial management practices. In financial management practices, working capital in the sense of flow of funds is as necessary to maintain a business as the circulation of blood is necessary in the human body to maintain life. If it becomes weak the business can hardly prosper and survive. A firm's success depends ultimately on its ability to generate cash receipts in excess of disbursements. (Padachi, 2009)

Capital invested in working capital is often high in proportion to the total assets employed and so it's vital that these amounts are used in an efficient and effective way. A firm can be very profitable but if this is not translated into cash from operations within the same operating cycle, the firm would need to borrow to support its continued working capital needs. Thus the twin objectives of performance i.e profitability and liquidity must be synchronized and one should not impinge on the other for long. Relationships between working capital and profitability are examined as return on total assets is used to measure profitability. With high investment in inventories and receivables lower profitability is likely to be recorded. A firm is required to maintain a balance between liquidity and profitability while conducting its day to day operations. Liquidity is a pre-condition to ensure that firms are able to meet short term obligations and that continued flow can be guaranteed from a profitable venture. A business manager is always faced with a dilemma of achieving desired tradeoff between liquidity and profitability in order to maximize the value of a firm. If and when resources are blocked at the different stage of the supply chain, this will prolong the cash operating cycle.

Although, this might increase profitability (due to increase sales), it may also adversely affect the profitability if the costs tied up in working capital exceed the benefits of holding more inventory. Take Grzegorz (2007), who highlights the gap in management. He states that the basic financial purpose of an enterprise is maximization of its value. Enterprise value

maximization strategy is executed with a focus on risk that is related to purchasers using payment postponement for goods and services.

Peel et (2000), slightly diverts from Padachi's theory focus and highlights the need by small firms much more than all firms to address the issue of working capital more.
Peel fore fronts the vulnerability of small firms to a fluctuation in the level of working capital, as them not being able to afford to starve of cash. In this study undertaken by (Peel *et al*., 2000) revealed that small firms tend to have a relatively high proportion of current assets, less liquidity, exhibit volatile cash flows, and a high reliance on short-term debt.

The recent work of Howorth and Westhead (2003), suggest that small companies tend to focus on some areas of working capital management where they can expect to improve marginal returns. For small and growing businesses, an efficient working capital management is a vital component of success and survival; i.e both profitability and liquidity (Peel and Wilson, 1996). They further assert that smaller firms should adopt formal working capital management routines in order to reduce the probability of business closure, as well as to enhance business performance.

The study of Grablowsky (1976) and others have showed a significant relationship between various success measures and the employment of formal working capital policies and procedures. Managing cash flow and cash conversion cycle is a critical component of overall financial management for all firms, especially those who are capital constrained and more reliant on short-term sources of finance (Walker and Petty, 1978; Deakins et al, 2001).

Given these peculiarities, Padachi (2009) and  Peel and Wilson (1996) have stressed the efficient management of working capital, and more recently good credit management practice

as being pivotal to the health and performance of the small firm sector. Along the same line, Berry et al (2002) finds that SMEs have not developed their financial management practices to any great extent and they conclude that owner-managers should be made aware of the importance and benefits that can accrue from improved financial management practices.

The study conducted by De Chazal Du Mee (1998) revealed that 60% enterprises suffer from cash flow problems.

Narasimhan and Murty (2001) stress on the need for many industries to improve their return on capital employed (ROCE) by focusing on some critical areas such as cost containment, reducing investment in working capital and improving working capital efficiency.

The pioneer work of Shin and Soenen (1998) and the later study of Deloof (2003) have found a strong significant relationship between the measures of WCM and corporate profitability. Their findings suggest that managers can increase profitability by reducing the number of day's accounts receivable and inventories. This is particularly important for small growing firms who need to finance increasing amounts of debtors.

Working Capital Management (WCM) practices have an effect on companies' profitability (Peel Wilson, 1996; Agyei-Mensah, 2010) because it affects firm risk and profitability (Smith and Sell, 1980). For Small and Medium Enterprises (SMEs), there is the need for particular attention to the control and monitoring of Working Capital because of their higher proportion of current assets, less liquidity, volatile cash flows and reliance on short-term debt relative to large firms (Peel et al., 2000; Howorth and Westhead, 2003). However, evidence suggests that few SMEs employ formal WCM practices but instead rely on ad hoc or subjective WCM decisions (Khoury et al., 1999, Howorth and Westhead, 2003), although Perren and Grant (2000) suggest that the lack of formalization with SMEs does not necessarily imply poor firm control.

An interlink between credit management and financial performance is seen with the increase in the level of accounts receivables in a firm which resultantly increases both net working capital and the costs of holding and managing accounts receivables and directly both decreasing the value of the firm.

In suggestion a liberal Credit Management Policy could increase the firm's value, the U.S General Services Administration policy manual (05.30.2012) highlights best practices for accounts receivables through the procedures of; recording receivables promptly, determining and reporting the source and age of receivables, making continual and timely attempts to collect receivables dues, identifying uncollectible receivables, validating write-offs and settling or forgiveness of debts, collecting, controlling and repayments under applicable laws and regulations, all these are aimed at having controls and good financial performances.

In this theory the financial measurement goal should serve as the focus for the goals in all the other perspectives. They indicate the ultimate financial performance to expect in a given balanced scorecard .E.g. return on investment, profitability, sales growth and cash flow.

An effective balanced scorecard needs a combination of both performance drivers and outcome measures where performance drivers are leading indicators and outcomes are lagging indicators. Without measures such as profitability, market share or customer satisfaction among others a scorecard does not provide an indication of how well the organization is performing.

Objectives and measure need to be linked through cause and effect relationships. Casual paths from all the measures on a scorecard should ultimately link two finance objectives. This not only indicates how each measure impacts the financial goals but it also illustrates to all members of the organization what impact their actions have on the outcome of the overall strategy. With this theory the cornerstone upon which this study will be based on for empirical investigations on the performance side.

### 2.2.2 The Balanced score card

In today's dynamic and rapidly changing workplace and globalized economy, development of organizational performance is associated with the development of personal performance, skills, knowledge and experience (Covey, 1998) and ( Joneset et al,2000). However, the ability to achieve and maintain high performance and productivity in organizations is a key challenge facing management today. An applicable theory for performance is the balanced score card in which (Kaplan and Norton, 2001) in their theory base on three main areas; measurement, human resource and customer value disciplines.

"The balanced scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system".

This strategic management system measures organizational performance in four balanced perspectives; financial, customer, internal business process and learning and growth. With focus on the financial strategy which summarizes the readily measurable economic consequences of actions already taken, the scorecard is created with an organization's management translating the mission, vision and strategy.

With the above scholastic material presented and formulated respectively in Credit Management this research works to create a bridge and a merger between the Credit Management Policy and the financial performance in logistic firms through adopting best practices in Credit Management with the following procedures adopted; commercial and contractual policy, invoicing policy, collection policy, dispute and provision policy and accounts allocation policy as presented in a report produced by Bollore Africa Logistics in 2011 on Credit Management best practices.

## 2.3 Actual Literature Review

### 2.3.1 Commercial and contractual credit policy and performance

Various policy approaches are given regarding the commercial and contractual policy in credit management and below are some of what scholars and literature has in practice and in proposal.

Atradius (2009) gives insight to commercial and contractual policy with lighting importance of knowing your customers before you start trading with them as well as payment terms being agreed before supply is done. King (2009), in Atradius states that conformity to the terms of a policy forces firms to choose customers more carefully.

BAL (2011) supports that standard terms and conditions of sales must be provided to all clients before the beginning of the operations.

Also highlighted in this report is that any decisions related to an account creation, granting or modification on the credit conditions of a client must be validated by the finance manager or the general manager.

According to Günther et al (2004), he refers to the contractual policy as credit approval stage in which credit approvals stem from the heterogeneity of the products concerned as these tend to be diverse. Hence, it becomes possible to single-out individual components to optimize efficiency and minimum risk. This entails credit reviews that aim to create transparency concerning the risk level of a potential exposure (thus helps avoid substantive errors) and also internal guidelines that intend to avoid procedural errors. With proper implementation of credit approvals the performance of the firm eliminates risks, errors and hence a positive effect on the performance of the firm.

Wikipedia under credit control states out 9 procedures to follow under this policy, first; having a formal letter of application for credit to be extended to a customer entity, second; head of finance evaluating the credit requested, third; risk manager evaluates if the credit fits in with the current risk portfolio, fourth; credit collection period usually in days is considered both as a standalone and as a component of the working capital cycle in particular ensuring it does not exceed the payables period in days too. Fifth; external rating agencies may be invoked to assess the risk attached to extending credit to the customer. Sixth; fillers are also made into the market to assess the credit worthiness of a firm , seventh; an internal evaluation is made considering the risk of bad or doubtful debts against the profit or returns, eighth; after risk manager and finance manager is satisfied the extension of credit will not result in loss of principal, credit is extended, ninth; account is opened with the credit setting set for the agreed terms that is the time-limit as well as the value of the credit are sides of the same coin.

In creation and showcasing the impact of the commercial and contractual policies as seen above on financial performance and other performance factor of firm say marketing and sales, Glen (2008), notes that money costs money. He places emphasis on the fact that this principle has to be the foundation upon which all credit transactions at the commercial and contractual stage are based – that is to say that the granting of credit, though beneficial for business as a whole in pursuit to boost the marketing and sales position of a firm is not without cost, either to the supplier or to the buyer, or to both.

It follows therefore that the process of granting credit to customers, and the tasks of risk assessment and risk analysis, amount to no more than weighing the benefits of granting credit against the cost to the supplier of doing so. Furthermore, that cost element is not restricted to non-payment, or bad debt losses, but applies to cost of the credit period itself and the cost incurred in late payment. It should always be remembered that there is an inevitable time delay between funds being expended by the seller in acquiring raw materials, paying wages and so

on for the production and delivery of the goods and the receipt of funds from the buyer in respect of those goods or services. The cost can be passed on in prices or absorbed by the seller, but it should never be ignored.

To show how the commercial and contractual policy impacts on the financial performance of a firm, as simple illustration is adopted; With the use of 3 customers of Bollore Africa Logistics (u), an illustration is shown each having parameters of 5% profit share annually with a fund cost existing at 12%, the below tabulation portrays the impact of credit on each of these firms

**Table 2:1 Illustration of Impact of credit management of financial performance of cost of credit and profitability**

| The amounts are in thousands of dollars ($ '000). | SAI Beverages<br>Cash only | Total U Limited<br>30 days | Hima Cement Ltd<br>90 days |
|---|---|---|---|
| Annual sales | 50,000 | 50,000 | 50,000 |
| Debtors | 0 | 4,000 | 15,000 |
| Net profit<br>(Before credit cost) | 2,500 | 2,500 | 2,500 |
| Cost of credit | 0 | (480) | (1,800) |
| Net profit | 2,500 | 2,020 | 700 |
| Net profit % | 5% | 4% | 1.4% |

.**Source;** Adopted and modified from Glen(2008) Credit Management

Here we  see results where the more and longer a customer takes to make payment the lower the financial position on a firm as seen in the case of Hima Cement Limited.

With the above it is imperative that at the commercial and contractual stages of business transaction parties of finance and commercial/sales team understand the impact of what is to be offered to the customers as marketing and sales of the company are being boosted.

With agreed commercial and contractual terms, the commercial bill is issued by the firm to the customer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the firm has provided the customer.

Upon dispatching invoices, these must be recorded in as specific register, ideally computer based, the invoice number, date of invoice, date of dispatch to customer, date of receipt by customer are herein indicated, these invoices obtain validation by the heads of operations to control the return inward disputed invoices.

### 2.3.2 Collection Policy and performance

Credit Management Policy embarks plenty on this particular of all the policies. The policy more directly has an impact on the DSO, cost of credit limits employed, and the provisions to be made.

In Wikipedia credit control analysis, focuses on; having statements of account generated and emailed on a regular basis showing all the customer details including credit limit and the status of each invoice that is past due, due or not due or current in split format of 90days and 180days, 60days, 30days respectively. Having regular accounts reconciliations done between the credit control team and the customers to ensure that both supplier and customers have booked the same items is deemed vital. Ready payments and checks collected on a regular basis with remittance advice to support the payments is the final move in the collection process.

In the Bollore Africa (u) Logistics report (2011), focus is put on similarly what Wikipedia outlays with a more systematic approach as follows; Customer files opened clearly showing

client details to allow proper transmission of information. Yet again the statements of account should be sent out, a follow-up is done through emailing or phone calls to identify any issues that require attending to, this helps to control the cost of credit limits employed with expenses incurred following up on monies outstanding and not paid within the created and agreed credit limits. It's important to note that customers on Cash on Delivery basis are the responsibility of heads of operations.

Collections all in, a firm is then in position to make calculation of what provisions need to be made depending on the aged balance accounts. Maximizing cash collection requires implementing a strong effective and consistent process, it is essential to ensure that the collection activity is robust enough to guarantee the firm is always the first to be paid, thus protecting cash flows but realistic enough to accept that some debts do become uncollectible and these should no-longer be considered as assets (Julia, 2009).

The collection policy stems at the end of the credit management policy and it's always important that above commercial and contractual policy is in place to be able to effectively and efficiently carry out the collection process. Statements of account should be sent out to the clients, courtesy calls should be made even before amounts for collection are due. At the point of collection due amounts, communication is herein done for these amounts. Failure by certain clients to positively respond, formal letters should be sent forth for demand of amounts in reference, failure of which legal approach is sought. (Günther,2004). The end result of a collection policy and its measurement tool is seen with the profitability position of a firm. The financial aspect of cash holdings as of the collection policy shows that, cash has an effect on the market share growth over time, an additional dollar of cash (relative - to - rivals) today impacts, ceteris paribus, market share growth two, three, and four years later. And interestingly, even though the competitive effect of cash tends to decrease over time, a positive and significant coefficient on cash exists. This positive and significant coefficients on cash,

confirms that having more cash than rivals allows firms to expand market share over a longer horizon (Laurent, 2010).

Anita (2009) approaches this policy with insight on the possible events around the collection process and finally highlighting the importance of collecting all amounts good to pay to mostly benefit own cash flow cycle. Customers are often given 30 days from the date of the invoice in which to pay. This time should be under control and proposing a shorter period if need be should be done, particularly if the customer is a consumer rather than a business this would be managing own cash flow cycle. Collecting a debt should have no guilt; owed money for goods or services supplied is by law on your side. As soon as the sale is made, the collection process commences, never forgetting that the reputation, survival and success of the business may depend on how well the overdue accounts are collected.

Use of verbal communication is best and often helps develop relationships that can ensure problems are flagged up early. Waiting longer than 60 days past the due date before cutting off credit is not advisable. In the event that things get really problematic, deferring to a third party is proposed, it stands highly advisable to never getting emotionally involved; preferably at such points have a debt collection agency handle it.

Advance Credit Management Cash Flow Management System avoids uncomfortable situations with customers by shifting emphasis from chasing bad debt to early management of accounts. Customers who make regular payments are less likely to seek similar products/services elsewhere. Customers approached in a professional manner in accordance with legal and privacy guidelines are less likely to use the collections experience as a reason not to buy from our client.

Cash Conversion Cycle (CCC) which embodies cash collection shows the efficiency of working capital management and also depends on balances between liquidity and profitability.

The profound understanding of the role of working capital and its effect on firm's profitability helps managers to look for strategic plans for management of credit. Firms with Shorter credit terms have fewer investments in working capital and as a result the cost of credit is less for these firms. Shorter credit terms increase profitability, and show the efficiency of management performance in managing credit.

Receivables conversion period is defined as the time -period between sales products on credit and collecting the cash from the customers. Financial managers should select and use appropriate credit policies not only to attract clients in a manner that enable firms to compete with their competitors but also to minimize the financing cost of these credits.

Although, extending the length of payable deferral period may reduce the length of cash conversion cycle but it should be consider that more lengthening of deferral payable period may damage the firm's reputations (Nobanee et al,. 2011). The shorter the length of the cash conversion cycle means effective working capital management and indicates the better management performance with regards to the inventory conversion period, collecting receivables period and short term financing using payables. This study contributes the body of knowledge by identifying how working capital management affect firm's profitability and how managers use working capital strategies to increase the firm's market share and value.

### 2.2.3 Dispute and provision credit policy and performance.

A Provision is an accounting principle where an estimation of potential losses that a company might experience due to a credit risk is done. It is an estimated amount to be lost and is treated as an expense on the firm's financial statements. Firms that engage in lending activities determine the provision for credit losses based on statistics that define the likelihood that debt

will be recovered. This is a means for financial institutions to account for expected losses from delinquent and bad debt.

In Bollore Africa Logistics, provision for cash customers is done on the basis of 3months while credit clients over dues exceeding 9months 50% provision done and all over dues exceeding 1year are fully provisioned, this directly impacts on the financial performance of a firm as provisions made for whatever reasons should always be minimized. Through a robust accounts allocation process where posting all paid monies as a result of invoice issue is done improves the accuracy of the financial reporting function and allows the Finance Department to publish financial reports with confidence. With clear positions, the actual position of what needs to be provisioned for is obtained. The study explores common, recurring problems with account reconciliations and the practices that can improve their effectiveness and efficiency. Another major source of risk arises when action is not taken to resolve open issues or confirm appropriate treatment.

At some companies, un-reconciled amounts within reconciliations remain on an open list for an indefinite period. At others, failure to investigate and resolve recurring problems and disputes leads to their continued reoccurrence in future periods. Problems can also arise when companies identify reconciling amounts properly but fail to investigate the reasonableness of their accounting treatment in the financial statements. The PwC Advisory on how to improve account reconciliation activities, it's found that effective management of account reconciliation activities greatly increases executives' ability to proactively identify and resolve disputes and issues that could result in misstatements in financial accounting and reporting records and lead to substantial bad debts and write-offs. In instances of disputes it's always important to handle the same independent of everything else good to pay to carter and minimize the provisions to be made.

The different scholars in Atradius raised this policy with emphasis on how to minimize what's to be provided for through use of invoice factoring where the customers' debt being sold to the financial specialist (Vince, 2009).Mike (2009) in Atradius importantly lays a distinction between deliberate late payers and genuine cases or reliable firms encountering financial difficulties. He focuses on managing provision to be made through need to do necessary checks upfront, striking a deal on good terms and taking on credit insurance cover. Good communication with the customers and responding immediately when payment is due or overdue and where genuine late payment occurs maintaining a good dialogue for resolution comes in.

BAL 2011 highlights need for immediate notice with report recording of a risen dispute to the concerned parties for immediate action and resolution. It is always advisable to have responses made within 28days;a credit note is then initiated reversing the transaction where response and confirmation is made.

Some controls are proposed to control the disputes and resultantly the amounts to be provisioned; Segregation of duties: responsibilities for billing (raising invoice) adequately segregated from those for collection, deposit of funds and credit issuance, Reviewing and approving of credit notes as per the management decision taking, Prompt investigation of credit issuance and disputes with billing amount, Establishment of a documented *Revenues and Receivables* procedures and controls to ensure all staff know the processes they are expected to follow, Regular review on delinquent accounts and taking prompt action to collect or consider them for write-off on a timely basis and lastly retention of records for audit purposes.

Sidetrack (2013), identifies the objective for credit managers as one that remains constant: a must to identify, classify and control customer risks, and accept, reduce, transfer or reject them here is paramount. It's identified that some 60 percent of late payments are due to a problem

whereby companies do not have the resources to pursue all their customer outstanding payments and the remaining 40 percent are due to invoice disputes. In these cases the company is responsible for its outstanding accounts receivable, and the consequences of failing to manage those receivables appropriately.

Legally Anita (2009) sites historical events in which at one time, businesses were only able to claim interest on late paid debts if they included a provision in their contracts or if the courts decided to award interest in a formal dispute. However, the Late Payment of Commercial Debts (Interest) Act 1998 changed all that.

Late payment sometimes escalates to become a bad debt. If a company is making 1.5% profit on sales, an uncollected debt of £1,500 nullifies £100,000 worth of sales. Worse still, poor credit management means that the firm will have to expend additional time and resources to collect debts, so even paid eventually; the firm incurs costs that are `hidden' around those accounts. This scenario is not uncommon in business. On the other hand, the absence of any doubtful, as opposed to bad, debt may mean that you have been missing out on business by being overcautious. As a reminder, bad debts sometimes arise from disputes over the goods or services the firm has supplied. That's why it is important to develop good interpersonal relationships with customers and their accounts teams; and why a firm should have a clear and rapid disputes escalation process, ensuring senior decision makers can resolve perceived problems to ensure problem accounts are quickly resolve.

Disputes do arise from bad quality services, price discrepancies, and lack of commercial contractualisation, delivery and administrative disputes among other causes.

These essentially result into payment delays of which unresolved disputes make the receivables uncertain for recovery action. As a result the firm losses credibility which bruises the company image and time is lost in resolving disputes.

It is through reconciliations that disputes are identified majorly; a quick resolution of disputes portrays consideration to the customer which gives commercial advantage to the firm as well as easier and faster bill payments.

With the knowledge that accounts receivables is money at risk which risks include losses and provisions, the working capital requirement and cash flow punctures and depreciation due to inflation.

Whatever strategy is however adopted to manage the accounts receivables directly impacts on the profitability of the firm and the investment capacity hence the market share and company image possessed (Mazuir, 2010).

With the above information provisions are a direct effect of disputes and inwardly impact on the financial performance of the firm seen through the bad debt position of the firm, as these arise from any amounts not collected.

## 2.4 Summary of the Literature review

In summary of the above, literature the relationship between credit management policy and performance in logistic firms has been reviewed. The definition and objectives and components of credit management policy has been pointed out by the various authors and studies. The chapter has reviewed The above information presented by different scholars indicate that there is a significant relationship between credit management policy and performance while others indicate that it is not a panacea and yet no concrete conclusion and this creates a mismatch on whether there is a relationship between credit policy and performance.

Although various scholars have written much on credit management policy in relation to performance of logistic firms, the researcher has not seen the standards and steps put forward to be followed by logistic firms when setting and implementing the credit management policy such that when these procedures are put in place, they should be applicable and beneficial to both the firm and the customers who would wish to take up credit facilities. The unfilled gaps identified in the literature are those relating to how credit management policy negatively affect the demand for credit facilitation and no institution or body has not come up with standard policies which logistic firms can base themselves to implement.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This chapter covers; the research designs that was used in this study. the population that was be studied, the sample size and sampling procedure, source of data research methods & data collection procedures, analyzing, validity and reliability of the research report and lastly presentation and the problems encountered during the study.

## 3.2 Research Design

The study adopted a cross-sectional survey using a case study where both qualitative and quantitative approaches were used. Cross sectional design was used because it could estimate prevalence of outcome of interest because sample is usually taken from the whole population and that many outcomes and risk factors can be assessed. A case study was used because it allows intensive investigations and focuses on a case or a few cases of a phenomenon. The proposed study took both quantitative and qualitative approaches because quantitative approach to help describe current or to investigate relationships including effects while qualitative approach is an ideal method when a holistic and in-depth investigation is needed taking intensive interviews. This makes both approaches relevant to the study because they supplemented each other.

### 3.3 Study population

The survey population included; the top managers, heads of departments, finance team and the credit management team at Bollore Africa Logistics (u) limited - Ntinda, it was based on a targeted population of 40 persons due to resource constraints in terms of time and money. The sample population of 36 included only 1 top manager, the entire credit management team of 4 members, 6 heads of department and 25 members of the finance department.

### 3.4 Sample size and selection

For purpose of collecting and getting in-depth information for the study, a sample size of 36 respondents of the total 40 population was used. The study comprised of 1 of 2 top management staff, all 4members of the credit control team, 6 of 8 heads of departments, and 25 of 26 staff from the finance department in the Company participated in the research study. This selection format was supported by Krejcie and Morgan’s 1970 table of sample size selection given the population of the case study and it is this group of personnel that provided relevant information

that's to show how the performance of Bollore Africa Logistics is affected by the credit management policy

**Table 3: 1 Category and size of the study respondents**

| **Categories** | **Population** | **Sample size** | **Sampling technique** |
|---|---|---|---|
| Top management staff | 02 | 01 | Purposive |
| Credit Management team | 4 | 4 | Purposive |
| Heads of departments | 08 | 06 | Simple random sampling |
| Finance Department | 26 | 25 | Simple random sampling |
| **Total** | **40** | **36** | |

**Source*:*** Krejcie and Morgan's 1970 as cited by Amin (2005) and modified for this study.

### 3.5 Sampling Techniques and Procedures

The study employed purposive and simple random sampling.

The sample populations were stratified into specific groups where each group was researched for relevant information. This was used as it was flexible and it gave equal chances of the respondents to be samples (Amin, 2005).

Purposive sampling was used for selection of those respondents who were directly involved in the management and implementation of the credit management policies and these were stratified depending on the responsibilities they carry out in the credit management overall activity.

### 3.6 Data Collection Methods and Instruments

These refer to the tools that were used during the research for data collection and here data was collected both primarily and secondarily.

Primary data was obtained directly from the respondents through questionnaires and interviews, while secondary data was collected from journals, reports, publications, newspapers and articles that carry any information on credit management policy and performance.

#### 3.6.1 Primary data collection

##### 3.6.1.1 Questionnaires method

With this method, simple structured questions were served to the sample population for them to provide their views and facts about the credit management policies.

This was an efficient means of collecting answers from a large sample size. The questionnaire method was used in order to extract the necessary accurate information from the respondents' answers, and to make sure that collected information was adequate for achieving the objectives of this study. This information was there after edited, sorted and coded for completeness.

##### 3.6.1.2 Survey questionnaires

The questionnaires contained a written set of questions that were answered by the respondents in writing. They contained Likert-like scale questions, on a four-point scale for the extent of implementation of Credit Management policies and performance. Respondents chose from a scale ranging from "Strongly agree" to "Strongly disagree". Most of the questions were closed-ended in order to ease the respondent's task, except for those referring to individual's

background information. The questionnaires were administered to the respondents by the researcher herself.

### 3.6.2 Secondary data collection

Here, data was generated from written literature books, journals, newspapers, reports, publications, articles and websites.

### 3.6.3 Observations

Here, observations were made in the environment within which the research was carried out in order to obtain information that may not be directly provided by any of the sample population questionnaires and the survey questionnaires that were provided to the respondents.

## 3.7 Validity and reliability

### 3.7.1 Validity

Content validity test index (C.V.I) was used to test for validity of questionnaire and two credit management experts and practitioners to rate the reliability of questions in the questionnaire on the study variables. C.V.I rate of 0.5 was taken as the measure whereby if the two C.V.Is for the two experts are above 0.5 it would indicate the instrument was valid for the study (winter, 2000).

C.V.I = (ne – N/2) / (N/2)

Ne – Number of experts indicating essential

N – Total number of experts

Once instruments were approved by the 2experts with results obtained of 0.8, a four point scale of attitude statements of a four point Likert-scale ranging from “Strongly agree” to “Strongly disagree “ shall e employed.

### 3.7.2 Reliability

Reliability which is the degree to which an instrument consistently measures was ensured using the two test administrations test-retest method which is also known as stability reliability. Here the same questionnaire was given twice to the same group of people and the reliability was the correlation between the scores of the two instruments.

Internal consistency was measured with Cronbach's alpha, a statistic calculated from the pair wise correlations between items. Internal consistency ranges between zero and one. As justified by Amin (2005), external reliability was achieved by clearly specifying the researcher's position in the cover letter so the readers know exactly what point of view instigated the data collection.

## 3.8 Procedures for data collection

The steps taken to accomplish data collection were in accordance with the set field work plan. They included; first schedule, a pre-discussion with the relevant persons to organize for an acceptable time schedule to obtain required information and to schedule with the key personnel at Bollore Africa Logistics (Uganda) limited to inform them of the study objectives. This was followed by constructing the research instruments, pre-testing and re-testing them. Therefore, the second research schedule was meant for pre-testing the research instruments. The study was to be used to make observations on how the respondents understand the concepts, and questions included in the instruments. The mistakes that were noticed such as misinterpreting the questions and the failure to understand questions among were corrected before actual data collection.

The third schedule was for delivering introduction letter from my department to the concerned management staff and distribution of questionnaires to collect data. Additional follow-ups and

clarification were provided through telephone to selected respondents, as required, to ascertain appropriate collection of the data.

### 3.9 Data analysis

This involves a number of closely related operations, which were performed with the purpose of summarizing the collected data and organizing these in such a manner that they answer the research questions (Amin, 2005). Data analysis was therefore analyzed using both qualitative and quantitative techniques.

#### 3.9.1 Quantitative techniques for data analysis.

Analyzing data included cleaning, editing, coding, classification, and tabulation of collected data so that they are amenable to analysis (Kothari, 1990, pg. 151). The relationship between Credit Management Policies and performance of Bollore Africa Logistics (u) Limited was evaluated using a statistical package for social scientists (SPSS). The correlation coefficient if took a value between -1 and 1, with 1 or -1 indicated perfect correlation (all points would lay along a straight line in this case). A positive correlation would indicate a positive association between the variables (increasing values in one variable corresponds to increasing values in the other variable), while a negative correlation indicates a negative association between the variables (increasing values in one variable corresponds to increasing values in the other variable). A relationship value close to 0 would indicate no association between the variables.

#### 3.9.2 Qualitative techniques for data analysis.

This is the process of bringing order, structure and meaning to the mass of information collected (Mugenda and Mugenda, 1999). It involved moving deeper and deeper into understanding the data, representing the data, and making the interpretation of the large amount of data (Amin, 2005).For qualitative data, the content analysis was used where a procedure for the categorization of verbal or behavioral data for purposes of classification, summarization and

tabulation was done, the basic level also known as the manifest level analysis was used where a descriptive account of the data that is what was said is analyzed. These answers were categorized into common responses and the data was also coded in SPSS or excel computer program. Qualitative data was descriptive and was obtained from interviews, open ended questions, and closed ended questions, and also from review of documents. This data was presented in accordance with the objectives of the study and themes to substantiate findings from quantitative data.

### 3.10 Measurement of variables

Credit Management policy was measured as the independent variables was measured by its constructs such as Commercial and contractual policies, Collection policies and Provision and dispute policies. Attitude statements of a four point Likert-scale were used to measure the perception of respondents on the credit management policy implementation using ranging from "Strongly agree" to "Strongly disagree".

Performance of the Logistic firms as the dependent variable was measured by two major components: financial indicators and non-financial indicators that affect performance. Financial indicators affecting performance will include four elements: the Days Sales Outstanding, the cost of credit limits employed, firm's profitability and the bad debt cost; while non-financial indicators affecting performance includes sustainable comparative advantage, employee attitudes and market share. These will be measured on a five point Likert-scale ranging from "Strongly agree" to "Strongly disagree". The two intervening factors of risk and company image were researched through observations of the firm's records and recording methods and the firm's employees and as well its customers.

# CHAPTER FOUR

# PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

## 4.1 Introduction

This chapter presents the data, how this data was analyzed and the interpretation of the results. The presentation of the results is in three sections. The first section presents the response rate. The second section presents the demographic information of the respondents who participated in the study in terms of gender, education level, period of service and age. The third section presents the summary descriptive statistics for the study variables and Pearson's correlation co-efficient analysis of the results.

The purpose of the study was to assess the effect of credit management policies on the performance in Bollore Africa logistics (u) limited. The guiding objectives of the study were; to examine the relationship between the contractual and commercial credit policies and performance of logistic firms in Uganda, to assess how the credit collection policy affects the

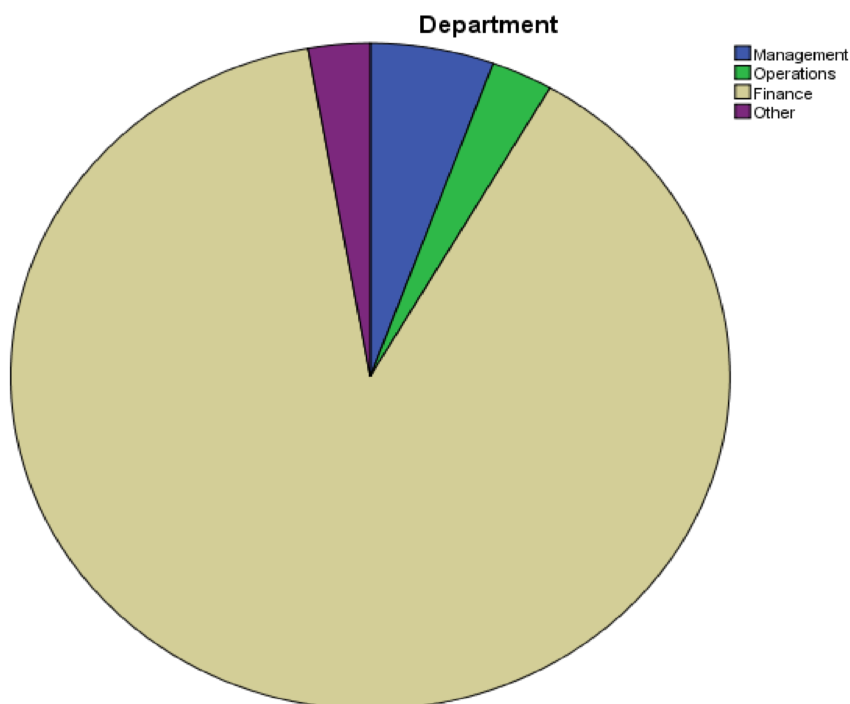
performance indicators in Bollore Africa (u) Logistics and finally to look at the extent to which the dispute and provision credit policy affects performance.

Each independent dimension was analyzed against performance indicators to determine whether credit management policies influence performance in Logistic firms in Uganda, taking a case study of Bollore Africa Logistics (u) Limited.

### 4.2. Response rate

This subsection presents the summary for the statistics for response rate. Details are presented in chart 4.1 below:

**Figure 4.1: Showing Response rate**



**Source**: Primary data

A total of 36 questionnaires were distributed. All 36 questionnaires were returned comprising a response rate of 100%. Therefore the number of respondents used for testing the hypotheses was all the 36 amounting to a response rate of approximately 100%. Grady and Wallston (1998) suggest that response rates of 50 percent are very good, but Isaac and Michael (1971) disagree, indicating that a response rate of at least 80 percent is necessary to obtain good estimates, while Gehlbach (1993) reports that although response rates of at least 80 percent are very good, rates below 80 percent (and above 40 percent) are not necessarily unacceptable. The researcher therefore feels confident that with a response rate of 100%, the study findings do provide good information.

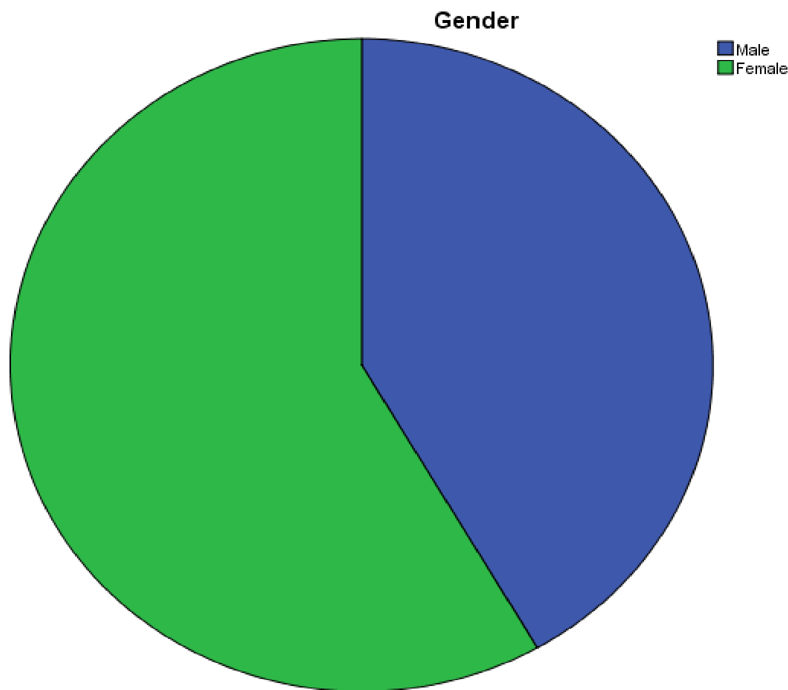
### 4.3 Demographic characteristics

This section of the study presents the background information. The quantified demographic characteristics of the respondents included gender, level of education, length of service to the organization and age. To this effect, the results are presented in pie-charts below.

#### 4.3.1 Gender of respondents

This was the sex of the respondents and the researcher was interested in finding out the majority gender of respondents who were involved in the survey. This information was obtained from questionnaires and the findings are summarized in chart 4.2 below;

**Figure 4.2: Showing Gender rate**



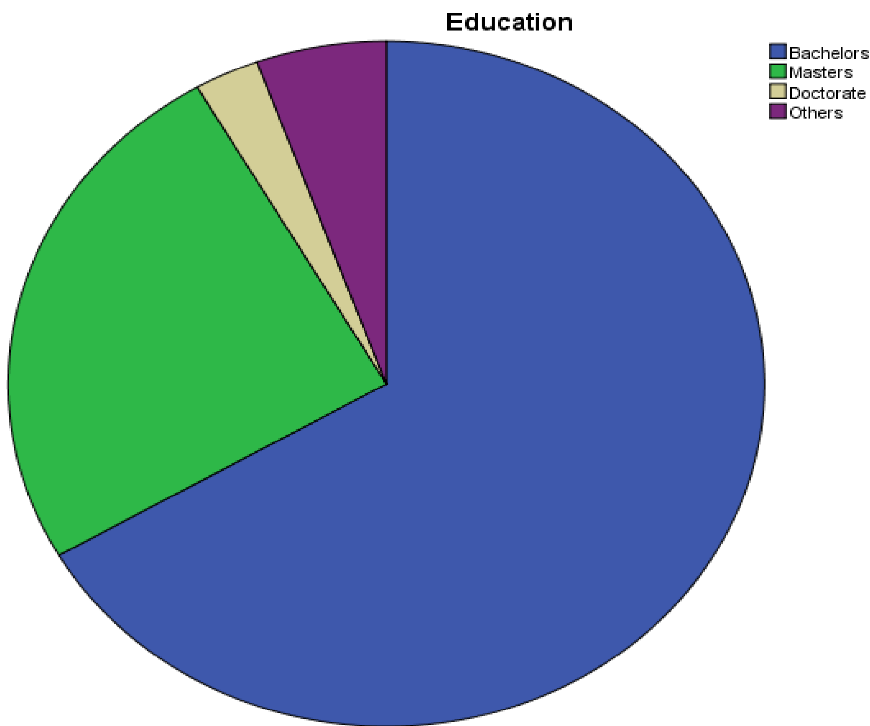

**Source**: Primary data

As summarized in chart 4.2 above, the sample size comprised of 15 males (41.7 %) and 21 females (58.3%).This was influenced by the nature of the study which rotated around a population size that was knowledgeable in credit management primarily hence eliminating a number of company stuff by default need.

### 4.3.2 Education level of respondents

This was the academic qualification of respondents who were involved in the study .This was meant to find out whether the employees were academically qualified to perform their task effectively and knowledgeable for the study. The information was obtained from the questionnaires and the findings are summarized in chart 4.3 below.

**Figure 4.3: Showing education level rate**

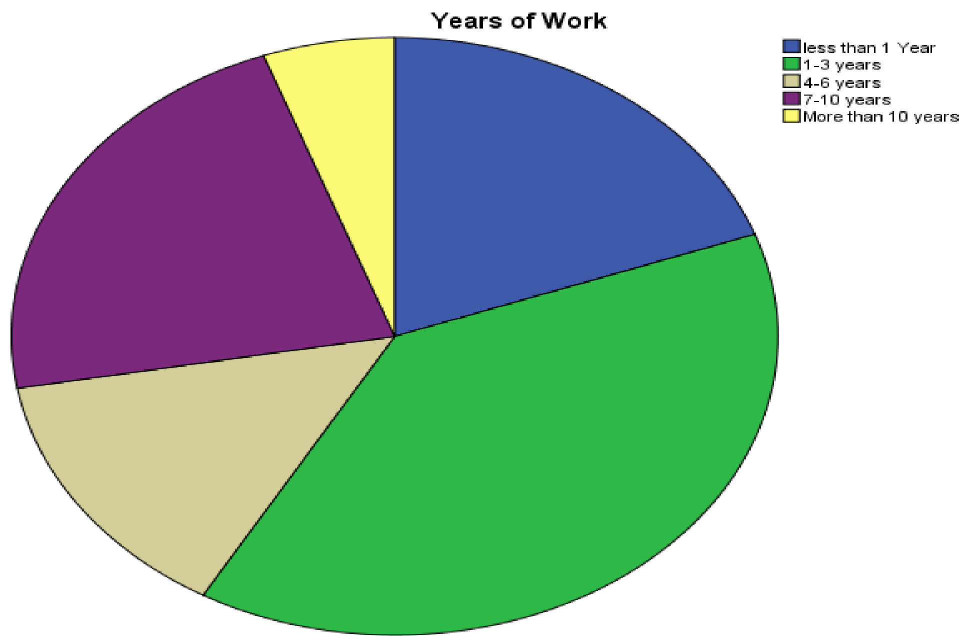



**Source:** Primary data

Chart 4.3 above shows respondents by their educational levels. As far as the level of education was concerned, the chart indicates that of the 36 respondents, 24(66.7 %) had a bachelor's degree, 9 (25%) had master's degree, 1 (2.8%) had a doctorate and 2 (5.6%) had other education qualifications. This means that on average, the employees of Bollore Africa (u) limited are qualified and knowledgeable to work and their performance was therefore expected to be high because they are knowledgeable and skilled enough to be working in the service industry.

### 4.3.3 Respondents by employment period or period worked

**Figure 4.4: showing Employment period rate**




**Source:** Primary data

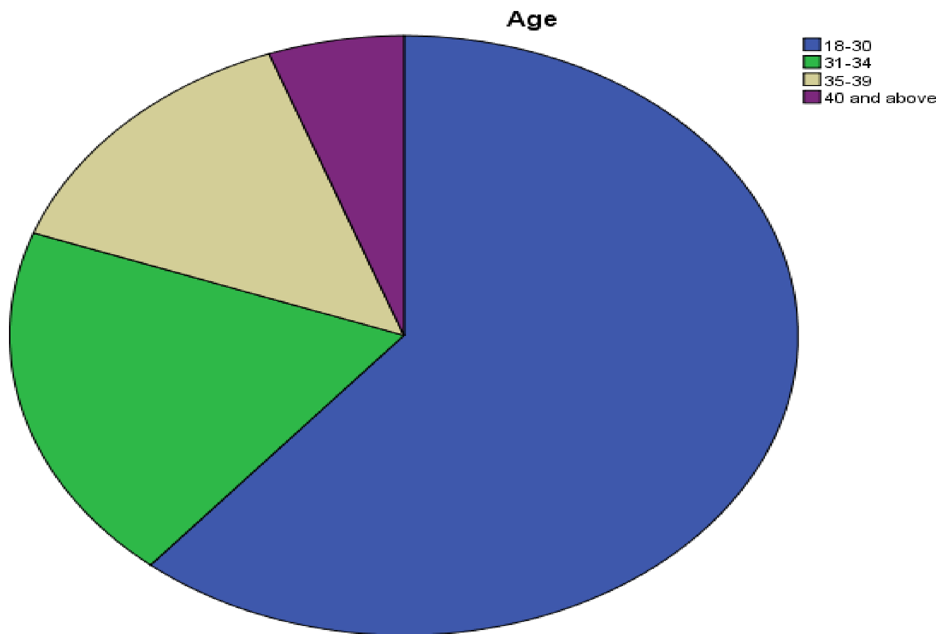
The results in the figure above show that the biggest number was in category 1 to 3 years indicating a percentage of 38.9 % of the respondents. This is true because the researcher observed that most of the respondents were especially young employees working with the company. This group had not worked long enough but also this might imply that these employees have no mastering of the management policies of the company to foster better performance. This finding is also supported by the age distribution data which showed the majority (61.1%) of the respondents were found to be young persons between the age of 18 and 30 years of age. The researcher also verified this finding with the records in the personnel clerk's office during documentary review which confirmed that the average age of employees stood at 35 years.

### 4.3.4 Age group of respondents

This was the age bracket of respondents and it aimed at finding out whether respondents were old enough to understand what was being asked of them hence whether they were suitable for

the study. The information was obtained from the questionnaire administered to them and the findings were summarized in chart4.5 below.

**Figure 4. 5 showing Age distribution rate**




**Source**: Primary Data

Lastly among the demographic characteristics, the researcher captured data about the age group of the respondents. Chart 4.5 above shows the age category of the respondents of Bollore Africa Logistics (u) Limited. Analysis of the results reveals that majority of the respondents were between 18 - 30 years of age, these constituted 61.1 % of the total respondents for the study. This means that Bollore Africa Logistics is comprised of fairly young staff. Only 5.6 % of the respondents were above 40 years of age. This implies that employees at Bollore Africa logistics are young, strong and energetic enough to execute their specific duties efficiently and effectively therefore were expected to bring about high performance within the organization.

### 4.4 Summary descriptive statistics of the variables

It is recommended that before testing hypothesis, descriptive statistics should be first computed for each of the variables (Plonsky, 2007). Thus, this approach was adopted in this study and the descriptive statistics that were used were frequencies and percentages because the scale that accompanied the questionnaire was ordinal.

In order to analyze the findings for this research the following categorization was done; respondents that strongly disagreed and those who disagreed were combined into one category who "opposed" the items, respondents who strongly agreed and agreed were combined into who "concurred" with the items. Thus the analyzing was conducted under three categories; those who opposed, those that were not sure and then those that opposed.

**Table 4:1 Showing frequencies for performance**

| Performance | Descriptive Statistics | | | | | | |
|---|---|---|---|---|---|---|---|
| | Very Good | Good | Fair | Poor | Not sure | Mean | Standard Deviation |
| 1. Days sales outstanding. | 8(22%) | 19(53%) | 5(14%) | 2(6%) | 2(6%) | 3.81 | 1.037 |
| 2. Cost of credit. | 9(25%) | 17(47%) | 6(17%) | 4(11%) | 0 | 3.86 | 0.931 |
| 3. Profitability. | 16(44%) | 13(36%) | 5(14%) | 1(3%) | 1(3%) | 4.17 | 0.971 |
| 4. Labor turnover. | 5(14%) | 13(36%) | 10(28%) | 5(14%) | 3(8%) | 3.33 | 1.146 |
| 5. Market share. | 10(28%) | 16(44%) | 9(25%) | 1(3%) | 0 | 3.97 | 0.810 |
| 6. General performance | 5(14%) | 19(53%) | 12(33%) | 0 | 0 | 3.81 | 0.668 |

**Source:** Field primary data

The study findings in table 4.1 above reveal that the performance indicator of profitability was the most predominant and highly attained performance measure in Bollore Africa Logistics (u) limited with percentage scores of 40% on the positive side followed by market share and cost of credit with both having percentages of 36%. Labor turnover had 25% scoring the least in the research. The data collected from the questionnaire portrayed profitability as one attained by

the organization while the labor turnover was very high, this evidently portrayed that the company loses its employees more than should be the case making it impossible to train staff competently and time is wasted in recruitment and mastery of the company's policies and procedures especially in the credit control team as seen in the research findings.

### 4.4.1 Responses on the objective Commercial and contractual policies and performance

The representation stems from the fact that, performance was our said dependent variable which was affected by credit management policies. There may be critical elements arising from the credit management policy employed that may be important to note. Therefore, with the use of the Likert five-point scale in Table 4.2 below, the items presented in the first column required responses from employees of Bollore. The responses are presented in form of frequencies and percentages in columns 2 to 7. The last 2columns show the mean and the standard deviations respectively. Here below are the descriptive statistics showing how employees rated the commercial and contractual credit policies.

**Table 4.2: Findings results for Commercial and Contractual policies**

| Commercial and Contractual policies | Descriptive Statistics | | | | | | |
|---|---|---|---|---|---|---|---|
| | Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree | Mean | Standard Deviation |
| 1. All credit clients are provided with formal and proper | 25 | 9 | 2 | 0 | 0 | 4.64 | 0.593 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| application forms for this facility. | 69% | 25% | 6% | | | | |
| 2. The credit application forms clearly indicate the terms of credit and the credit limit offered to respective clients. | 26<br>72% | 8<br>22% | 2<br>5% | 0 | 0 | 4.67 | 0.586 |
| 3. Back ground checks on the financial viability of clients that are being considered for this facility is done prior. | 10<br>28% | 13<br>36% | 12<br>33% | 1<br>3% | 0 | 3.89 | 0.854 |
| 4. Annual review of the existing commercial and contractual contracts is done to identify offenders and observers. | 12<br>33% | 17<br>47% | 6<br>17% | 1<br>3% | 0 | 4.11 | 0.785 |
| 5. Breach of commercial and contractual agreement repercussions are enforced by the company against the client in these instances. | 12<br>33% | 18<br>50% | 6<br>17% | 0 | 0 | 4.17 | 0.697 |

**Source:** Field primary data

As to whether the credit commercial and contractual policies are well implemented, results in table 4.2 above show that 94% respondents concurred to Bollore Africa Logistics providing all its credit clients with formal and proper application forms for the facility, 6% were not sure and there were no opposes to this item. The implication of these findings is that before Bollore Africa logistics engages business with its potential client, commercial contracts are drawn up and shared with these clients. This goes to show that in the event of bad debts, the company should be able to legally seek cash collection for the service rendered to the various clients and hence control the dispute and provision financial performance of the company.

Items 2 – 5 also have bigger percentages indicating respondents concurring to these items. A range between 32% - 47% all agreed to the items in the questionnaires, while there were numerous cases of not sure respondents which goes to show that within the research population size a number of them were not directly linked to the activities of credit management hence their lack of knowledge on the policies involved.

Items relating to background checks being carried out on the potential clients and annual review done on the existing credit clients obtained a 3% response opposed to this item which goes to show a double check into this area is warranted for further investigative study.

This to say, the risk involved in not knowing the financial history of business partners is one to be considered by Bollore Africa logistics (u) limited.

*"This here gave a lagging factor in the policy structure that Bollore needs to look into as an area for improvement to be able to control the bad debts that arise from brief-case clients"*

Kenneth (2013) advises that if background checks are not performed on potential business partners, then one is setting themselves up for being duped.

More from the opposing respondents, one Head of department had this to say:

*"if indeed proper back ground checks are being done by these commercial people before we take on all businesses then Bollore would not have a sky rocketing DSO of 100days as is the case today"*

In order to close up on this research question, given the above analysis, generally the results attained the commercial and contractual credit policy did not seem to have great negative impact on the performance of Bollore Africa logistics (u) limited.

#### 4.4.1.1 Analysis of the findings

**Table 4.3: Correlations between Commercial & contractual Policies and Performance**

| | | Commercial and contractual Policies | Performance |
|---|---|---|---|
| Commercial and contractual Policies | Pearson Correlation | 1 | .500** |
| | Sig. (2-tailed) | | .002 |
| | N | 36 | 36 |
| Performance | Pearson Correlation | .500** | 1 |
| | Sig. (2-tailed) | .002 | |
| | N | 36 | 36 |

**. Correlation is significant at the 0.01 level (2-tailed).

From the Table 4.3, above it is indicated that there is a moderately significant positive correlation between commercial & contractual credit policy and the performance in Bollore Africa logistics. The study research question; what the relationship between commercial & contractual and performance in Bollore Africa logistics is, results of; r =.500, P<.002 showed that there is a positive relationship between the 2 variables.

**Table 4.4: Regression between Commercial & contractual Policies and Performance**

**i) Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .500[a] | .250 | .228 | .63995 |

a. Predictors: (Constant), Commercial and contractual Policies

**ii) ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4.638 | 1 | 4.638 | 11.326 | .002[b] |
| | Residual | 13.924 | 34 | .410 | | |
| | Total | 18.562 | 35 | | | |

a. Dependent Variable: Performance
b. Predictors: (Constant), Commercial & contractual Policies

**iii) Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .929 | .857 | | 1.084 | .286 |
| | Commercial and contractual Policies | .667 | .198 | .500 | 3.365 | .002 |

a. Dependent Variable: Performance

Summaries in tables 4.4 above show a standard error of the estimate at value of 0.640 between commercial & contractual credit policy and performance in logistic firms i.e. a positive relationship between the 2variables. With the adjusted r = 0.228 showing a 23% impact on performance stemming from the commercial & contractual credit policy while a 77% impact on performance arising from any other factors.

The findings were subjected to the ANOVA test and it showed that significance (Sig F = 0.002) of the Fishers ratio (F= 11.326) was less than critical significance at .05. Hence, it was concluded that the combination of dimensions of commercial & contractual credit policy affected performance.

The coefficient findings show that commercial and contractual credit policy singularly had a significant effect on performance because of the results attained (sig = 0.002) which was less than the critical significance at 0.05.

In support of the above findings, Forbes(2012)highlights that reason as to why it is common for clients to continuously go away without paying for services rendered to them is because they actually can do so without any repercussions. It's highlighted that this is common mainly because businesses are too busy running their day to day operations to carter for the unpaid amounts.

However, offering an in-time and a standardized service warrants payment from the client. That said businesses ought to know their rights and also have legal resources in place to carter for this situation.

With all that, taking legal action against non-paying clients should be done to be able to achieve positive effects on performance by the credit management policy.

### 4.4.2 Responses on credit collection process

The second presentation stemmed from the study objective that was to assess how credit collection process affects performance in Bollore Africa Logistics. The items are presented in the first column of Table 9 and the proportion of respondents to the responses on each of the items is presented in form of percentages in columns 2 to 7. The last 2columns show the mean and the standard deviations respectively. The results from the questionnaire process are displayed in the table here below.

**Table 4.6: Findings for credit collection policy**

| Collection process | Descriptive Statistics | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Strongly Agree** | **Agree** | **Not Sure** | **Disagree** | **Strongly Disagree** | **Mean** | **Standard Deviation** |
| 1. Collection for overdue and due amounts is done on time. | 10<br>28% | 19<br>53% | 2<br>6% | 5<br>14% | 0 | 3.94 | 0.955 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2. A standby credit control team is in place to carry out the continuous job of cash collection from the credit clients. | 26<br>72% | 5<br>14% | 2<br>6% | 1<br>3% | 2<br>6% | 4.44 | 1.107 |
| 3. External debtors and the legal teams are engaged to assist in the collection process. | 21<br>58% | 11<br>31% | 3<br>8% | 0 | 1<br>3% | 4.42 | 0.874 |
| 4. Rewards and discounts are offered to customers that clear before their credit limits and terms and on time to act as an incentive | 8<br>22% | 2<br>6% | 14<br>39% | 7<br>19% | 5<br>14% | 3.03 | 1.320 |
| 5. Periodic measurement of the collections made against the days sales outstanding is done to observe performance trends. | 18<br>50% | 9<br>25% | 8<br>22% | 1<br>3% | 0 | 4.22 | 0.898 |

**Source:** Field Primary data

In the quest to assess how the credit collection policy affects the performance indicators in Bollore Africa logistics, findings were presented in the table 4.6 above where respondents were asked from 5items on the credit collection procedures and 81% of these respondents concurred

to collection being done on time, a 6% were not sure and 14% opposed collection being on time. This can be interpreted with the fact that majority credit clients in Bollore do actually pay on time and majorly the big international clients however as seen by the 14% many small scale and local companies are offered credit facility, a number of these often turn out to be brief case companies and others run bankrupt before they are in position to clear for the service rendered to them.

Of the opposing respondents, they highlighted that if indeed collection procedures were being followed and collection was being done on time then there would be no need to worry about the company's performance in terms of liquidity and profitability. This small percentage was viewed that if the legal team was involved in collection then clients would not be too quick to attempt ripping off the company.

The not sure respondents can be explained by the fact that the sample population was obtained through simple random sampling and hence a number of these respondents were not knowledgeable in the credit management policies.

Items 2 and 3 had the respondents answer between existence of a standby credit control team and involvement of external debt collector as well as a legal team to carry out the daily basis of collection, carry out communications with different clients and engaging stubborn clients and collecting long out-standing amounts that exist as a result of disputes among other reasons respectively. Majority respondents concurred to both these items with 86% and 89% results acquired, the not sure were existent with 6% and 8% and opposing respondents were 9% and 3%.During the research and at this stage as one Head of department was filling out her questionnaire and had this to say:

"*With the high turnover within the credit control team for the last period of 3years, it is indeed worrisome that any collection can actually be done"*

This goes to show that with the above statistics it’s safe to say despite a high turnover the company made effort to have a standby credit control team which is seen with the high result obtained from the research respondents though not reflective on the performance of the firm. For the opposing respondents, their concern was majorly on whether the credit control team obtained any help from the legal department as by law one is to pay for a service rendered to them.

On finance personnel remarked;

*“Having the knowledge of long term non-paying clients by the legal team is one thing. However, and importantly legally engaging these clients is the evidence required to be seen”.*

Whether rewards and discounts are offered to customers that clear before their credit limits and terms or clearing on time was concurred with by 28% respondents to being in place and implemented by the company, while 39% were not sure to this happening, it could be seen that most these given their direct involvement of even managerial positions were being polite and civil in stating under the not sure choice but indeed verbally most discussed as having never seen any rewards or discounts handed out to clients for paying for the service before or even on time.

The last of the respondents who made 33% opposed to rewards and discounts being handed out at all as this in the Ugandan economy would have a great positive impact of payment durations. It is known of how the Ugandan business fraternity enjoys free hand-out and to the least discounts to transactions or even rewards.

James(2014), sees it as no secret to the fact that the ability for an organization to survive and prosper steams from their willingness to find and utilize new revenue streams and on such innovations is the dynamic discounting in which customers benefit by consistently paying earlier or on time.

It is clearly seen here that this is an area that requires further study and improvement in Bollore Africa logistics if the fight for better performance is to be taken on.

Lastly under the credit collection questionnaire the same group of respondents was put on the spot to either oppose, concur or declare their being "not sure" with if periodic measurement of the collections made against the days sales outstanding to follow performance trends and assessments research was done and the following statistics were obtained, 75% concurred to this fact being done especially considered that the DSO slogan was frequently heard being used even without them knowing what this really meant, 22% were not sure, this can be explained by the fact that performance measurement reports are mostly share with the Bollore Head office in France rather than the local staff and by tradition reports are often made to shareholders rather than employees hence the acquisition of the said statistic. 3% disagreed to any measurements being carried out by the company; this category mostly came from support staff, the likes of the finance data clerk gentleman who remarked that he did not know how the credit control team performs or even how the company performs financially.

Rob (1999), highlights that much as there is no superior measure to performance in credit, collections and accounts receivables, there however should be prudent understanding and measurement of performance appropriately.
This measure of performance should stand the test of time, it should be standardized, it should meet the organization's needs to express a value that complements and supports the objectives of the company.
It is through performance measurement that a company is able to know where it is coming from, where the company is at a particular point in time and finally where it wants to be. Through measurement parameters then it becomes possible to identify lagging variables and areas that need focus to improve performance all together.

#### 4.4.2.1 Analysis of the findings

**Table 4.7: Correlations between credit collection policies and Performance**

| | | Collection policies | Performance |
|---|---|---|---|
| Collection policies | Pearson Correlation | 1 | .418* |
| | Sig. (2-tailed) | | .011 |
| | N | 36 | 36 |
| Performance | Pearson Correlation | .418* | 1 |
| | Sig. (2-tailed) | .011 | |
| | N | 36 | 36 |

*. Correlation is significant at the 0.05 level (2-tailed).

Findings show that there was a moderate positive correlation (r = .418) between credit collection and performance. These findings were subjected to a test of significance (p) which showed that the significance of the correlation (p = .011) is less than the recommended critical significance at 0.05. Thus, as to the assessment of impact of credit collection on performance it was found a positive impact. Thus, the implication of such findings was that the moderate effect implied that a change in credit collection policies contributed to a moderate change in performance. The positive nature of the effect implied that the change in credit collection policies was in the same direction and performance where by better and higher credit collection contributed to better performance while less credit collection contributed to less performance in the company.

**Table 4.8: Regression between Collection policies and Performance**

**i) Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .418[a] | .174 | .150 | .67137 |

a. Predictors: (Constant), Collection policies

**ii) ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3.237 | 1 | 3.237 | 7.182 | .011[b] |
| | Residual | 15.325 | 34 | .451 | | |
| | Total | 18.562 | 35 | | | |

a. Dependent Variable: Performance
b. Predictors: (Constant), Collection policies

**iii) Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.102 | .640 | | 3.281 | .002 |
| | Collection policies | .421 | .157 | .418 | 2.680 | .011 |

a. Dependent Variable: Performance

Summaries in Tables 4.8 above show a standard error of the estimate at value of 0.67 between credit collection and performance in Bollore Africa logistics which is an indicator of a positive relationship between the 2variables. With the adjusted r = 0.150 showing 15% impact of credit collection onto the performance of the firm while 85% impact on performance stems from all the other factors impacting on performance.

These findings were subjected to the ANOVA test and it showed that significance (Sig F = 0.011) of the Fishers ratio (F = 7.182) was less than critical significance at .05. Hence, it was concluded that the combination of dimensions of credit collection policy did indeed affect performance.

The coefficient findings show that credit collection singularly had a significant effect on performance because of the result attained (sig = 0.011) which was less than critical significance at 0.05.

The above analysis leaves to state that with the positive relationship between the 2variables only facts out that an increase in credit collection results into an increase in performance of a firm, hence focus on credit management an important aspect to help boost the performance of Bollore Africa logistics.

### 4.4.3 Responses on disputes and provision policies and the performance in Bollore.

Below representation shows responses from the staff in Bollore Africa logistics when they were asked about how disputes and provisions were handled in the firm. This information was obtained like all the prior information using the likert five-point scale. Frequencies and percentages were used and this is seen in columns 2 – 7. The last 2columns show the mean and the standard deviations respectively.

Here below are the descriptive statistics showing how the items were rated.

**Table 4.9: Finding results for provision and disputes policies**

| **Provision and Disputes policies** | **Descriptive Statistics** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Strongly Agree** | **Agree** | **Not Sure** | **Disagree** | **Strongly Disagree** | **Mean** | **Standard Deviation** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1. A proper and swift procedure is in place from the point the dispute is raised by the client to the dispute resolution and invoice returned to the client. | 14<br><br>39% | 16<br><br>44% | 3<br><br>8% | 3<br><br>8% | 0 | 4.14 | 0.899 |
| 2. The company has a standby team that helps in dispute resolution. | 15<br>42% | 9<br>25% | 4<br>11% | 7<br>19% | 1<br>3% | 3.83 | 1.254 |
| 3. A proper filing and archiving procedure is in place to enable efficient and effective dispute resolution. | 14<br><br>39% | 13<br><br>36% | 2<br><br>6% | 6<br><br>17% | 1<br><br>3% | 3.92 | 1.180 |
| 4. Amounts not collected and turned bad debts are written off on an annual basis. | 14<br><br>39% | 9<br><br>25% | 7<br><br>19% | 5<br><br>14% | 1<br><br>3% | 3.83 | 1.183 |

**Source:** Field primary data

From the table 4.9 above, the respondents were asked whether Bollore Africa Logistics management has a dispute and provision procedure in place to control the company's performance with the use of 4items in elucidation.

In the first item, employees were required to respond as to whether a proper and swift procedure is in place from the point the dispute is raised by the client to dispute resolution to invoice return to client and the responses were as follows; 83% respondents concurred to this fact, with 8%not sure and another 8% opposing the existence of a proper dispute resolution process.

One respondent by quote "*Many times we as heads of departments are bothered by disputes and yet there should be a standby team to deal with all disputes*"

To understand what a swift dispute resolution process should be, credit management tool.com 2009, highlights that disputes arise from the bad quality service, lack in commercial contractualisation and delivery issues and these not only involve a stand-off team but all departments of an organization.

It is disputes that result into late collections and accumulate bad-debts resultantly making financial provisions. This hence shows that an astound and firm focus needs to be maintained here to improve general performance.

As to whether the company has a standby team for dispute resolution results were 67% concurring to the existence of a standby team, while 11% were not sure respondents and 22% opposed.

As noted earlier, dispute resolution stands at the stem of failure to achieve success in any company therefore, putting in place a standby team to focus on dispute resolution is a best practice in management. With 66% in agreement, a week spot in the credit management policy was identified and further research in this area warranted.

A proper filing and archiving procedure was questioned about. The essence here was that with this procedure the lead time between dispute arousal to collection time is narrowed and the findings were 75% respondents concurring, 6% were not sure and 20% opposed to this being fulfilled. Through the research we see a continuous presence of not sure respondents, there's

no doubt to suspect the presence of employees who do not take the initiative to learn outside their comfort zones which for any company is an important aspect to watch-out for, for both company and individual developments.

Through the research activity the 20% that opposed kept highlighting the fact that records and files at sometimes were never found especially when they related to older years. Only obtaining documents to assist in dispute resolution creates major hindrances in over-all performance as this shows poor and untimely service delivery, which impacts on collection, inflates bad debts, broadens the provisions bag which negatively impacts on performance and hence a focus point to improve in order to have positive performance results.

Finally, employees were requested to respond as to whether amount not collected and turned to bad debt were written off on an annual basis. In response, 64% concurred, 19% were not sure and 17% opposed to bad debts being written off. In finance, assets sometimes lose value after a certain period of time, this drop in value should always be captured in order to show the true and fair position of a company. Accounting write-offs in business only stand as an option when it becomes clear that other reasons that the customer is not going to pay which maybe as a result of going out of business, going under serious legal attacks from other creditors, or simply challenges the legitimacy of the obligation.

In the financial statements this is reflected as allowance for doubtful accounts which is subtracted from the accounts receivables and on the income statement bad debt expense appears along with other expenses. In all, showing the financial position of the company must always be true and fair despite of the performance. Performance being pivotal in business a good financial position is sought at all times.

#### 4.4.3.1: Analysis of the findings

**Table 4.10: Correlations between Dispute & provision policies and Performance**

| | | **Dispute and provision policies** | **Performance** |
|---|---|---|---|
| Dispute and provision policies | Pearson Correlation | 1 | .635** |
| | Sig. (2-tailed) | | .000 |
| | N | 36 | 36 |
| Performance | Pearson Correlation | .635** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 36 | 36 |

**. Correlation is significant at the 0.01 level (2-tailed).

From Table 13 above, it is indicated that there is a moderately significant positive correlation between dispute & provision credit policies and performance in logistic firms. The research question; How does the dispute and provision credit policy relate to the performance of Bollore Africa (u) limited, results of; r = .635, p<.000 showed that there is a positive relationship between the 2variables..

**Table 4.11: Regression between Dispute & provision policies and Performance**

**i) Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .635[a] | .404 | .386 | .57061 |

a. Predictors: (Constant), Dispute and provision policies

**ii) ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 7.492 | 1 | 7.492 | 23.012 | .000[b] |
| | Residual | 11.070 | 34 | .326 | | |
| | Total | 18.562 | 35 | | | |

a. Dependent Variable: Performance
b. Predictors: (Constant), Dispute and provision policies

**iii) Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.627 | .461 | | 3.528 | .001 |
| | Dispute and provision policies | .551 | .115 | .635 | 4.797 | .000 |

a. Dependent Variable: Performance

Summaries in tables 14 above show a standard error of the estimate at value of 0.57 between dispute & provision and performance of a firm which is a positive relationship between the 2variables. With the adjusted r = 0.39 showing a 39% impact on performance caused by dispute and provision policies while 61% influence on performance was caused by other factors. The findings were subjected to the ANOVA test and it showed that significance (Sig F = 0.000) of the Fishers ratio (F = 23.012) was less than critical significance at .05. Hence, it was concluded that the combination of dimensions and items in the dispute & provision caused an impact on the performance of logistic firms. The coefficient findings show that dispute and provisional credit policies singularly had a significant effect on the performance because the results attained (sig = 0.000) which was less than the critical significance at 0.05.

In support of the validity and analysis of the above research question, Sungrad (2013), explains that, a significant portion of the cost to invoice customers and collect payment can be tied to the speed at which discrepancies and disputes are resolved. For many Credit Professionals,

managing and quantifying deductions, disputes, charge backs and claims is difficult. Quite frankly the difficulty arises in that disputes require a high degree of coordination and communication within the supplier organization. Sure, it is possible to examine one case where one collector is talking with one customer talking about one invoice that has one damaged good in the delivery. And that collector knows which logistics person to get an approval for a claim. But the real world credit organization has multitude of collections or disputes analysts handling 1000's of customers, processing 100's of disputes, getting verification from sales on pricing, marketing on promotional discounts, warehouse on short ships, logistics on damaged goods, customer service on warranty claims, and the list goes on.

Therefore, with no doubt having a swift and proper dispute management process in a firm goes a long way in improving the performance in an organization.

### 4.5: Summary

This chapter presented data obtained from the field, analyzed and interpreted it. The type of data was both quantitative and qualitative. Findings indicated a positive effect of the independent variables of the study, which included commercial & contractual credit policies, the credit collection policies and the dispute & provision credit policies on company performance. The following chapter presents the summary of findings, discussion, conclusions and recommendations.

# CHAPTER FIVE

# SUMMARY, DISCUSSIONS, CONCLUSSIONS AND RECOMMENDATION

## 5.1 Introduction

This chapter summarizes the study undertaken and discusses the research findings and finally makes conclusions and recommendations on the study findings, it is divided in to 4major sections.

The first section presents a summary of findings. The second section presents the discussion. The third section presents the conclusions. The fourth section presents the recommendations. The purpose of this study was to assess the effect of credit management policy on the performance of logistics companies in Uganda with the case study of Bollore Africa Logistics (u) limited. The proposed study sought to achieve the following objectives; to examine the relationship between the contractual & commercial credit policies and performance of logistic firms, to assess how the credit collection policy affects the performance indicators in Bollore Africa logistics (u) limited and to look at the extent to which the dispute & provision credit policy affects performance of Bollore Africa logistics (u) limited.

Therefore, there were 3 research questions that were answered by and tested. Commercial & contractual credit policies, credit collection policies and dispute & provision credit policies were the dimensions of the independent variable which was credit management policy. Logistic firm performance was the dependent variable and its dimensions were presented in 2 categories which included financial indicators ie days sales outstanding, cost of credit, profitability and the non-financial indicators ie labor turnover and market share.

This was a cross-sectional case study which employed both the quantitative and qualitative approaches.

## 5.2 Summary of findings

### 5.2.1 Commercial & contractual credit policies and performance

The first objective was to examine the relationship between commercial & contractual credit policies and performance in logistic firms. The research question was "What is the relationship between commercial & contractual credit policies and performance inBollore Africa logistics (u) limited?"

The findings revealed a moderate positive effect of commercial & contractual credit policy on performance whereby the credit commercial & contractual policy accounted for 23% impact on performance, such that better commercial & contractual policies contributed more to performance while poor commercial & contractual policies contributed less to performance.

### 5.2.2 Credit collection policies and performance

The second objective was to assess how the credit collection policy affects the performance indicators in Bollore Africa Logistics (u) limited. The research question was "How does credit collection policy affect the performance indicators in Bollore Africa (u) Limited?"

There was a weak positive effect of credit collection policy on performance with a 15% whereby better and more credit collection contributed to better performance, poor and less credit collection policy contributed to less performance in Bollore Africa Logistics (u) limited. The attained result was 15% variation stemming from this policy.

### 5.2.3 Dispute and provision credit policies and performance

The third objective was to look at the extent to which dispute & provision credit policy affects performance in Bollore Africa logistics (u) limited.

The study established a strong positive effect of dispute & provision on the performance in Bollore Africa logistics (u) limited with a finding of 39% accounting for the variation in performance.

## 5.3 Discussion of findings

### 5.3.1 Contractual and commercial credit policies on performance of Logistic firms

With the first objective of this study being to examine the relationship between commercial & contractual credit policy on performance in Bollore Africa logistics (u) limited, the result interpretation of the results was that there was a moderate positive relationship between the 2variables.

As cited by Atradius (2000), there is great importance in knowing your customers before starting trade partnerships with them as well as payment terms being agreed prior to business engagement.

Seen in the result findings in item one and two in which respondents were asked if credit clients were provided with formal and proper application forms as well as having these forms clearly indicating the terms of credit and credit limits, 94% were in agreement to this with an analysis of $r = .500, p < .002$, that is a moderately strong and statistically positive correlation between the 2variables.

With no doubt the existence of proper, clearly indicated limits, back-ground checks being done in the commercial & contractual policies in credit management, there is guarantee for good and high performance in a company.

### 5.3.2 Credit collection policy on performance in Bollore Africa (u) Limited

The second objective of this study was to assess he credit collection effect on performance indicators in Bollore Africa Logistics.

The contribution of credit collection is made clearer in the results of this study; this to see that good and improved credit collection increases the performance of a company. If and when due and overdue amounts are collected on time by a standby credit control team, directly gives a

low or high days sales out-standing performance result and gauging the liquidity and profitability of the company.

With results of ($r = .418, p<.011$) between collection and performance, there exists a positive and significant relationship between the 2variables which confirms an increase in credit collection which leads to an increase in performance of the company.

### 5.3.3 Dispute and provision credit policy on performance of Bollore Africa logistics (u) limited.

The third and final objective of this study was to look at the extent to which disputes & provision credit policies affect the performance of Bollore Africa logistics (u) limited. The result ($r = .635, p<.000$) showed that there is a strong and statistically positive correlation between the variables.

This hence shows the extent of influence of disputes & provision on performance. In corroboration of the findings Mike (2009), focuses on managing provisions to be made through need to do necessary checks upfront and obtaining insurance cover.

The BAL (2011) document lays out a best practice procedure for dispute resolution from the billing stage to the final cash collection for service rendered and reporting of the performance, all these inevitably work towards improving the performance of the company. Out-side the findings from the study, the Pwc Advisory lays pivot on the effective management of account reconciliation activities to increase executives' ability to pro-actively identify and resolve disputes and issues that could result in misstatement in financial accounting and reporting records.

## 5.4 Conclusions

### 5.4.1 To examine the relationship between the contractual and commercial credit policies and performance of logistic firms in Uganda

In this study we found that indeed there exists an impact of the commercial & contractual credit policies on performance and that best practices of the policy do exist in Bollore Africa Logistics with cover ups of the small existing gaps of having the legal team take on breach of contracts by victim clients.

Other than that the theories show in order to have a proper credit management policy in place, the first stage of ensuring that terms are clearly stated and agreed upon and hereby followed to boost performance.

### 5.4.2 To assess how the credit collection policy affects the performance indicators in Bollore Africa logistics (u) limited

In regards to this variable, it was found that a moderate casual effect stemming from credit collection policy existed.

It is in this area where items had results of opposing respondents to the credit collection procedures and therefore a place to focus if the performance of Bollore Africa logistics (u) limited is to be pushed higher. With a 15% effect from credit collection impacting on an Organization's over-all performance, need to investigate further and work towards making this better is warranted.

### 5.4.3 To look at the extent to which the dispute and provision credit policy affects performance of Bollore Africa logistics (u) limited

The study findings from this part of the study showed percentages of respondents opposing to proper procedures undertaken here as seen in various items of the posed questions such to say,

the filing and archiving procedure being effective and if the reporting had annual inclusions of bad debt write-offs.

With a casual positive effect of 39% with no doubt portrays that the performance in Bollore Africa logistics is greatly affected by the dispute & provision credit policies the company has in place and a dire need to venture and invest time in attaining best management practices in this area.

## 5.5 Recommendations

The study made the following recommendations to the field of study

### 5.5.1 To examine the relationship between the contractual and commercial credit policies and performance of logistic firms in Uganda

In recommendation from this study Bollore Africa logistics should carry-out thorough back-ground checks on the financial viability of potential clients before partnerships are made to be able to control bad debts that arise from brief-case clients and duping activities.

Much as other areas such as carrying –out annual reviews of the existing commercial & contractual contract and enforcement of repercussions of offenders of contracts should be improved by re-visiting the priory existing contracts visa vie the existing performances of these clients as well as legally engaging clients that breach contracts.

### 5.5.2 To assess how the credit collection policy affects the performance indicators in Bollore Africa logistics (u) limited

From this study, a recommendation of taking on a reward and discount policy for clients that pay especially before time could encourage more and other clients to take on the same spirit and courtesy.

The utilization of new revenue streams in the dynamic world involves taking on discounting for clients that pay earlier or on time.

### 5.5.3 To look at the extent to which the dispute and provision credit policy affects performance of Bollore Africa logistics (u) limited

This being the area with the highest casual effect on performance in Bollore Africa logistics seen with r = .635, p<.000 and adjusted r of 39% which high positive impact on performance. The speeds with which disputes, charge backs and claims are handled require a professional touch in effort to improve the speed in resolution and resultantly collection of out-standings. The communication and coordination within the organization and customer organization respectively should be implemented with proper procedures and time lines created.

## 5.6 Limitations of the study and areas of further study

Credit management policies are often categorized variously with focus on different areas, this study however laid focus on the where the service attendance stems that affects credit management and in turn affects company performance which is the commercial & contractual credit phase, it goes on to the stomach of the study with the credit collection policy which has its performance measured against the days sales out-standing which is in itself a performance indicator and lastly the dispute & provision credit policy which often than not results into bad debts when pro-longed or failure to collect the same.

Areas of further research in the credit management field may lay focus on division of tasks between departments in relation to the policy, information circulation both vertically and horizontally to relevant stakeholders, business document verification at all points of engagement. Finally, future researchers may focus on the other factors that affect the performance in logistic firms.

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## APPENDICES

## APPENDIX I:

## QUESTIONNAIRE FOR BOLLORE AFRICA LOGISTICS (U) LIMITED.

Dear respondent;

I am pleased to introduce myself to you as a student of Uganda Management Institute, where I am undertaking a Master's Degree in Management studies (Financial Management). However as a requirement for completion of the course, I'm conducting a study aimed at investigating the effects of Credit management policy on performance in Uganda, a case study of Bollore Africa Logistics. You are kindly requested to provide sincere and faithful responses which will be used for academic purposes only. No name is required and all information provided will be kept confidential.

Thank you………………………………………………………………..

**SECTION A: BACKGROUND INFORMATION**

Kindly fill appropriate responses in the space provided below:

1. Gender: Male [ ] Female [ ]

2. Age: 18-30 [ ] 35-39 [ ]
   31-34 [ ] 40 and above [ ]

3. What level of education have you completed?

a. No basic education ☐

b. Primary ☐

c. Bachelors ☐

d. Masters ☐

e. Doctorate ☐

f. Others (please specify) ______________________________

4. How many years have you spent working in Bollore Africa Logistics?

a. Less than 1 year ☐

b. 1 – 3 years ☐

c. 4 – 6 years ☐

d. 4 – 10 years ☐

e. More than 10 years ☐

f. Others specify ______________________________

5. Which department do you belong to?

a. Management ☐

b. Operations ☐

c. Finance ☐

g. Other (Specify) ______________________________

6. What is your Job Title/Position

a. Investor/Owner ☐

b. Manager ☐

c. Finance accountant ☐

d. Operations manager ☐

e. Credit controller ☐

f. Other (Specify) ________________________________

**SECTION B: PERFORMANCE FOR BOLLORE AFRICA LOGISTICS:**

7. How do you rate the performance of Bollore Africa Logistics (u) Limited using the following aspects?

| **Performance Indicators.** | **Very good.** | **Good.** | **Fair.** | **Poor.** | **Not sure.** |
|---|---|---|---|---|---|
| Days sales outstanding. | | | | | |
| Cost of credit limits employed. | | | | | |
| Profitability. | | | | | |
| Bad debt cost. | | | | | |
| Sustainable competitive advantage. | | | | | |
| Labor turnover. | | | | | |
| Market share. | | | | | |

8. Apart from the aspects indicated above, in what other ways do you rate the performance of Bollore Africa Logistics?

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______________________________________________________________________________

______________________________________________________________________________

______________________________________________________________________________

9. How do you rate the general performance of Bollore Africa Logistics (u) Limited?

| Very good. | Good. | Fair. | Poor. | Not sure. |
|---|---|---|---|---|
| | | | | |

**SECTION C: CREDIT MANAGEMENT POLICY**

Please tick one of the appropriate number which best describe your firm's extent of implementation of credit management policies related to each questions specified below using the following keys:

**1 = strongly disagree** **3 = Not sure** **5 = strongly agree**

**2 = Disagree** **4 = Agree**

| **Commercial and Contractual policies** | | | | | | |
|---|---|---|---|---|---|---|
| **Definition:** Interaction with customers before trading with them and the provision of formal letters to them for fill-up for validation of business partnership. | | | | | | |
| **No.** | **Statement** | **Degree of agreement with the statement** | | | | |
| | | 5 | 4 | 3 | 2 | 1 |
| 1.1 | All credit clients are provided with formal and proper application forms for this facility. | | | | | |
| 1.2 | The credit application forms clearly indicate the terms of credit and the credit limit offered to respective clients. | | | | | |
| 1.3 | Back ground checks on the financial viability of clients that are being considered for this facility is done prior. | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1.4 | Annual review of the existing commercial and contractual contracts is done to identify offenders and observers. | | | | | |
| 1.5 | Breach of commercial and contractual agreement repercussions are enforced by the company against the client in these instances. | | | | | |

| **Collection process** | | | | | | |
|---|---|---|---|---|---|---|
| **Definition:** The process with which due amounts are collected by the credit control team. The methods, the alternative approaches sought and the final verdicts taken. | | | | | | |
| **No.** | **Statement** | **Degree of agreement with the statement** | | | | |
| | | 5 | 4 | 3 | 2 | 1 |
| 4.1 | Collection for overdue and due amounts is done on time. | | | | | |
| 4.2 | A standby credit control team is in place to carry out the continuous job of cash collection from the credit clients. | | | | | |
| 4.3 | External debtors and the legal teams are engaged to assist in the collection process. | | | | | |
| 4.4 | Rewards and discounts are offered to customers that clear before their credit limits and terms and on time to act as an incentive. | | | | | |
| 4.5 | Periodic measurement of the collections made against the days sales outstanding is done to observe performance trends. | | | | | |

| **Provision and Disputes policies** |
|---|

| **Definition:** The procedure through which invoices are channeled from the point of a raised query and clarity to resolution or write off of the same. | | | | | | |
|---|---|---|---|---|---|---|
| **No.** | **Statement** | **Degree of agreement with the statement** | | | | |
| | | 5 | 4 | 3 | 2 | 1 |
| 3.1 | A proper and swift procedure is in place from the point the dispute is raised by the client to the dispute resolution and invoice returned to the client. | | | | | |
| 3.2 | The company has a standby team that helps in dispute resolution. | | | | | |
| 3.3 | A proper filing and archiving procedure is in place to enable efficient and effective dispute resolution. | | | | | |
| 3.5 | Amounts not collected and turned bad debts are written off on an annual basis. | | | | | |

**Thanks for your cooperation**

**APPENDIX II: SAMPLE SIZE AND SAMPLING TECHNIQUES**

**Sample size (s) required for the given population sixes (N).**

Table for Determining Sample Size for a Given Population

| N | S | N | S | N | S | N | S | N | S |
|---|---|---|---|---|---|---|---|---|---|
| 10 | 10 | 100 | 80 | 280 | 162 | 800 | 260 | 2800 | 338 |
| 15 | 14 | 110 | 86 | 290 | 165 | 850 | 265 | 3000 | 341 |
| 20 | 19 | 120 | 92 | 300 | 169 | 900 | 269 | 3500 | 246 |
| 25 | 24 | 130 | 97 | 320 | 175 | 950 | 274 | 4000 | 351 |
| 30 | 28 | 140 | 103 | 340 | 181 | 1000 | 278 | 4500 | 351 |
| 35 | 32 | 150 | 108 | 360 | 186 | 1100 | 285 | 5000 | 357 |
| 40 | 36 | 160 | 113 | 380 | 181 | 1200 | 291 | 6000 | 361 |
| 45 | 40 | 180 | 118 | 400 | 196 | 1300 | 297 | 7000 | 364 |
| 50 | 44 | 190 | 123 | 420 | 201 | 1400 | 302 | 8000 | 367 |
| 55 | 48 | 200 | 127 | 440 | 205 | 1500 | 306 | 9000 | 368 |
| 60 | 52 | 210 | 132 | 460 | 210 | 1600 | 310 | 10000 | 373 |
| 65 | 56 | 220 | 136 | 480 | 214 | 1700 | 313 | 15000 | 375 |
| 70 | 59 | 230 | 140 | 500 | 217 | 1800 | 317 | 20000 | 377 |
| 75 | 63 | 240 | 144 | 550 | 225 | 1900 | 320 | 30000 | 379 |
| 80 | 66 | 250 | 148 | 600 | 234 | 2000 | 322 | 40000 | 380 |
| 85 | 70 | 260 | 152 | 650 | 242 | 2200 | 327 | 50000 | 381 |
| 90 | 73 | 270 | 155 | 700 | 248 | 2400 | 331 | 75000 | 382 |
| 95 | 76 | 270 | 159 | 750 | 256 | 2600 | 335 | 100000 | 384 |

Note: "N" is population size
"S" is sample size.

*Source: Krejcie & Morgan, 1970*

## APPENDIX III: WORK PLAN

| | 2014 | | | | | | 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Activity | July | Aug | Sept | Oct | Nov | Dec | Jan | Feb | March | April | May | June | July | Aug | Sept | Oct |
| | | | | | | | | | | | | | | | | |
| Proposal Structuring | | | | | | | | | | | | | | | | |
| Proposal Defense | | | | | | | | | | | | | | | | |
| Data Collection | | | | | | | | | | | | | | | | |
| Data Analysis | | | | | | | | | | | | | | | | |
| Defending research paper | | | | | | | | | | | | | | | | |
| Writing final report | | | | | | | | | | | | | | | | |

## APPENDIX IV: BUDGET

| | **Item** | | **Quantity** | | **Unit price** | | **Total Cost** |
|---|---|---|---|---|---|---|---|
| 1 | **Stationery** | | | | | | |
| | | | | | | | |
| | Ream of papers | | 2 | | 16,000 | | 32,000 |
| | Pens | | 5 | | 500 | | 2,500 |
| | Files | | 3 | | 2000 | | 6,000 |
| | | | | | | | |
| 2 | **Data Analysis** | | | | | | |
| | Typing/Printing | | 4 | | 10,000 | | 40,000 |
| | Copying | | | | | | |
| | | | | | | | |
| | Statistician | | 1 | | | | 250,000 |
| | Typing & Printing | | 1 | | | | |
| | Editing | | 1 | | | | 50,000 |
| | Printing | | 1 | | | | |
| | Binding | | | | | | |
| | ,Spiral binding | | 4 | | 2,000 | | 8,000 |
| | ,Hard cover binding | | 4 | | 20,000 | | 80,000 |
| | | | | | | | |
| 3 | **Allowances** | | | | | | |
| | Research Assistants | | 2 | | 50,000 | | 100,000 |
| | | | | | | | |
| 4 | **Others** | | | | | | |
| | Airtime | | | | | | 50,000.00 |
| | Transport | | | | | | 400,000.00 |
| | | | | | | | |
| | **GRAND TOTAL**: | | | | | | **1,018,500** |