MIDLANDS STATE UNIVERSITY

IMPACT OF CREDIT CONTROL TECHNIQUES ON REVENUE COLLECTION AND FINANCIAL PERFORMANCE OF THE FIRM. A CASE OF NEC AGRICULTURE

BY

LORAINE MAMBIRI

STUDENT REG NO: R146593C

Submitted in partial fulfilment of the Bachelor of Commerce Honours Degree in Accounting.

MAY 2018
DECLARATION

I Mambiri Loraine declare that this study is my own work and has not been copied from any source without recognizing the source.

........................................
........................................

SIGNATURE                      DATE
APPROVAL FORM

The undersigned certify that they have supervised the student’s dissertation entitled: Impact of Credit Control Techniques on Revenue Collection and Financial Performance of a Firm. A Case of NEC Agriculture; submitted in Partial fulfilment of the requirements of the Bachelor of Commerce in Accounting Honours Degree with Midlands State University.

…………………………………                                   ……………………………………

SUPERVISOR                                                                      DATE

………………………………..                                    ……………………………………

CHAIRPERSON                                                                    DATE

………………………………                                      …………………………………..

EXTERNAL EXAMINER                                                              DATE
RELEASE FORM

REG NUMBER OF AUTHOR: R146593C


DEGREE PROGRAMME: BACHELOR OF COMMERCE ACCOUNTING HONOURS DEGREE

YEAR GRANTED: 2018

Permission is hereby granted to the Midlands State University library to produce single copies of this dissertation and to lend or sell such copies for private scholarly or scientific research purpose only. The author does not reserve other publication rights and the project nor may extensive extracts from it be printed or otherwise reproduced without the author’s written permission.

SIGNED: ………………………………………………………………………

PERMANENT ADDRESS: Stand No.12234 Timire Park Harare

PHONE NUMBER: 0778 977 932

DATE: MAY 2018
DEDICATION

I would like to dedicate this research project to my parents who has given me tremendous support during the period of this study. Moreover my best friend Petros, my roommate Blessed and Aunty Thandie, for their words of encouragement during this study. Above all the Almighty God for giving me strength.
ACKNOWLEDGEMENTS

The writer would like to give profound appreciation to the Lord Almighty for the guidance, protection and wisdom that He provided throughout the study period. It is through His guidance that the scholar was able to produce this study project.

I would like to express my gratitude to the Midlands State University for granting me an opportunity to study the degree of my choice. Special thanks to my supervisor, Mr Mugozhi for his motivation and professional supervision. It was your special time and attention that made this project successful. Your time, patience and endurance will not go unnoticed. Thank you very much for the special supervision.

I would like also to thank my family, especially my mum and dad, for their unwavering support both physically and financially. I would like also to thank my siblings Bertha, Brian and Duncan for their moral support and encouragement. May the good Lord continue to bless you.

To my friends, Blessed, Petros, Lawson and many others, I am humbled by your great friendship and support. To my entire fellow accounting students it has been a great journey with you especially as your class rep. I will always treasure these moments.

Last but not least, special thanks to NEC Agriculture staff for the availing of information relevant for this study. Had it not been you, my project would have been a failed attempt.
ABSTRACT

This study aims to assess the impact of credit control techniques on revenue collection and financial performance of the firm using NEC Agriculture as the case study. The objectives of the study were to assess the impact of credit control techniques on revenue collection and financial performance, to assess the cost associated with credit control techniques against the revenue collected and also to compare the credit control techniques implemented in other countries or organizations to those used by NEC Agriculture so as to draw lessons vital for more revenue collection and improved financial performance. Descriptive and Case study research design were used. Judgmental sampling technique was used on a sample size of 17 employees out of an entire population of 40 employees. Questionnaires were administered to the 17 respondents of which 16 were completed and returned. In addition 6 top management employees were interviewed for data collection. The findings of the study showed that the current credit control techniques of NEC Agriculture were partially implemented and also they had a positive impact on revenue collection and financial performance. It also revealed that there is an inverse relationship between costs associated with credit control techniques against revenue collected. The study concluded that credit control techniques had the greatest impact on revenue collection and financial performance, followed by the costs associated with credit control techniques and other factors such as the economic instability and political interventions. This study recommended the introduction of credit policies, online billing systems, upgrading of the pastel system and creation of website for information dissemination to the farming entities.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER ONE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
</tbody>
</table>

1.0 Introduction ... 1
1.1 Background of the study ... 1
1.2 Statement of the problem ... 8
1.3 Research Questions ... 8
1.4 Research Objectives ... 8
1.5 Significance of the study ... 9
1.6 Assumptions ... 9
1.7 Delimitations ... 9
1.8 Limitations of the study ... 10
1.9 Ethical Considerations ... 10
1.10 Definition of terms ... 10
1.11 Summary ... 11

<table>
<thead>
<tr>
<th>CHAPTER TWO</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LITERATURE REVIEW</td>
<td></td>
</tr>
</tbody>
</table>

2.0 Introduction ... 12
2.1 Theoretical Literature Review ... 12
2.1.0 Credit control and Common Credit control Techniques ... 12
2.1.1 Revenue ... 14
2.1.2 Recognition of revenue ... 15
2.1.3 Sources of revenue ... 15
2.1.4 Financial Performance and Common measures of financial performance ... 16
2.2 Empirical Literature Review ... 18
2.2.0 Credit control in Manufacturing Firms ... 18
2.2.1 Credit control in commercial banks ... 19
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.2</td>
<td>Credit control in Commercial Banks compared to Credit management in Microfinance institutions</td>
<td>21</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Credit management on small scale business against debt financing on productivity of small to medium scale enterprises</td>
<td>22</td>
</tr>
<tr>
<td>2.2.4</td>
<td>Current credit control techniques that lagged in improving financial performance and revenue collection</td>
<td>24</td>
</tr>
<tr>
<td>2.3</td>
<td>Research Gap</td>
<td>25</td>
</tr>
<tr>
<td>2.4</td>
<td>Summary</td>
<td>25</td>
</tr>
</tbody>
</table>

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>Introduction</td>
<td>26</td>
</tr>
<tr>
<td>3.1</td>
<td>Research Design</td>
<td>26</td>
</tr>
<tr>
<td>3.1.0</td>
<td>Descriptive research design</td>
<td>26</td>
</tr>
<tr>
<td>3.1.1</td>
<td>Case Study research design</td>
<td>28</td>
</tr>
<tr>
<td>3.2</td>
<td>Subjects-Population and sampling</td>
<td>28</td>
</tr>
<tr>
<td>3.2.0</td>
<td>Population</td>
<td>28</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Sampling</td>
<td>28</td>
</tr>
<tr>
<td>3.3</td>
<td>Research Instruments</td>
<td>29</td>
</tr>
<tr>
<td>3.3.0</td>
<td>Questionnaires</td>
<td>29</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Interview</td>
<td>30</td>
</tr>
<tr>
<td>3.4</td>
<td>Sources of data</td>
<td>31</td>
</tr>
<tr>
<td>3.4.0</td>
<td>Primary Data</td>
<td>31</td>
</tr>
<tr>
<td>3.5</td>
<td>Reliability and Validity of Data</td>
<td>32</td>
</tr>
<tr>
<td>3.5.1</td>
<td>Pilot Testing</td>
<td>32</td>
</tr>
<tr>
<td>3.5.2</td>
<td>Data Triangulation</td>
<td>33</td>
</tr>
<tr>
<td>3.6</td>
<td>Data presentation and analysis</td>
<td>33</td>
</tr>
<tr>
<td>3.7</td>
<td>Ethical considerations</td>
<td>34</td>
</tr>
<tr>
<td>3.8</td>
<td>Summary</td>
<td>34</td>
</tr>
<tr>
<td>CHAPTER FOUR</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td>DATA PRESENTATION, ANALYSIS AND DISCUSSION</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>4.0 Introduction</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>4.1 Response Rate</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>4.2 Questionnaire analysis</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>4.2.0 Gender Distribution</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>4.2.1 Educational level Distribution</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>4.2.2 Distribution of Working Experience at NEC Agriculture</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>4.2.3 Impact of credit control techniques</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>4.2.4 Costs associated with Credit Control Techniques on Revenue Collection</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>4.2.5 Costs Associated with Credit Control on Financial Performance</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>4.2.6 Alternative credit control techniques that would improve revenue collection</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>4.2.7 Alternative credit control techniques that would reduce cost of revenue collection</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>4.3 Data Analysis on Interviews</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>4.3.1 Challenges Faced by NEC Agriculture in terms of Credit Control</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>4.3.1.0 Economic Meltdown</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>4.3.1.1 Inability by NEC Staff to make regular Inspections</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>4.3.1.2 Political Interference</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>4.3.13 Lack of Proper Record Keeping</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>4.3.2 Effectiveness of the current credit control techniques</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>4.3.3 Additional Credit Control Techniques</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>4.3.4 Impact of Costs Associated with Credit Control Techniques in relation to Financial Performance and Revenue Collection</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>4.3.5 Strategies can be adopted to improve Credit control Techniques</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>4.4 Summary</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>CHAPTER FIVE</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Title</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>5.0</td>
<td>Introduction</td>
<td>51</td>
</tr>
<tr>
<td>5.1</td>
<td>Summary</td>
<td>51</td>
</tr>
<tr>
<td>5.2</td>
<td>Conclusion</td>
<td>53</td>
</tr>
<tr>
<td>5.3</td>
<td>Recommendations</td>
<td>53</td>
</tr>
<tr>
<td>5.4</td>
<td>Suggestions for Further study</td>
<td>54</td>
</tr>
</tbody>
</table>
### Lists of Tables

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.1</td>
<td>Yearly debtors’ listings schedule by NEC Agriculture</td>
<td>8</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Typical Likert Scale</td>
<td>31</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Questionnaire Response Rate</td>
<td>37</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Working Experience at NEC Agriculture</td>
<td>41</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Assessing the impact of credit control techniques</td>
<td>42</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Assessing Costs associated with credit control techniques on revenue collection</td>
<td>43</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Assessing Costs associated with credit control on financial performance</td>
<td>44</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Alternative credit control techniques that would improve revenue collection</td>
<td>45</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Alternative credit control techniques that would reduce cost of revenue collection</td>
<td>46</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>Economic Meltdown</td>
<td>47</td>
</tr>
</tbody>
</table>
# Lists of Figures

<table>
<thead>
<tr>
<th>Fig 4.1</th>
<th>Responses on gender</th>
<th>25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fig 4.2</td>
<td>Distribution of Level of Education</td>
<td>39</td>
</tr>
<tr>
<td>Fig 4.3</td>
<td>Inability by NEC staff to make regular inspections</td>
<td>47</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>COVER LETTER</td>
<td>61</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>QUESTIONNAIRES</td>
<td>62</td>
</tr>
<tr>
<td>APPENDIX C</td>
<td>RESEARCH OBJECTIVES</td>
<td>67</td>
</tr>
<tr>
<td>APPENDIX D</td>
<td>INTERVIEW GUIDE</td>
<td>68</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.0 Introduction

According to Moti (2012), careful and professional management of customer credit lines is a basic prerequisite enabling efficient credit management. In addition, the scholar stated that in a bid to reduce risk to doubtful debts and insolvencies organisations should have a significant understanding of customer creditworthiness, credit track record and changing patterns of payments in order to collect more revenue. According to Kumar (2010), to ensure a better collection of revenue it requires an efficient and a timeous system allowing invoicing and receipting of cash, strict adherence to debt collection and credit control strategies. In addition Kagoyire (2016) pointed that sound credit management is a requirement for better organizational financial strength and improved profits, while poor revenue collection is attributed to management of credit. This study seeks to establish the impact of credit control techniques on revenue collection and financial performance of a firm. The study shall elaborate credit control techniques introduced globally by some nations, continentally by some African countries such as Nigeria, sub-Saharan Africa such as South Africa and in Zimbabwe. The chapter covers delimitations, research objectives, background of the study, research questions, justification of the study, limitations and many others. These are further elaborated below.

1.1 Background of the study
There are several credit control challenges faced by many countries such as Nigeria which introduced the prepaid meter system as credit control measure, the Tanzanian local district municipality and many others which this study have further elaborated below.

Nigeria introduced the prepaid meter system as a method of credit control in order to increase revenue collection (Ogujor, 2010). Power Holding Company of Nigeria (PHNC) faced revenue collection problems attributed to high electrical expenses which were sent to clients after consumption, in other words the bills were post-paid, (Ogujor, 2010). The consumers were unwilling to clear their high electrical expenses and an undependable electricity supply.

Ogujor (2010) further elaborates that the low dependability of electric energy supplies had no effect on the PHNC, either electricity was there or no power utility bills were sent to customers in advance. Therefore it resulted in the clients suffering the charge of electricity generated for their respective consumption and electrical cost not provided. At first, the system worker introduced the cash collection policy called Revenue Cycle Management (RCM); this was due to an enormous liability unsettled by the clients. However it did not provide any favourable results. PHNC then introduced the prepaid meter similar to the recharge system for mobile communication handsets.

Ilala District Local Government encountered challenges in providing services to the people (Mбуfu, 2013). This was as a result of low revenue collection and as a result of the evasion by the clients to clear the levies due and they had no control over the provisional and supporter donations. Proceeds from fines and fees, licenses and trading were also diminishing significantly and were failing to offer the necessary sources to the public. This was shown by the various different financial budgets of Ilala for the past three years, which means that the forecasted
expenses were more than the forecasted profits therefore it was a deterrent to effective service provision.

Many local governments in Tanzania have improved their tax collection schemes in recent years; these caused an increase in revenue collection (Mbufu, 2013). However people were still facing numerous challenges in acquiring the basic goods and services from local governments’ authorities. Majority of the residents were not satisfied with health, schools and other social services.

According to municipality (2012), the Mogale city Municipality in South Africa introduced the debt and credit control policy. The purpose of the policy were to cater for the local district enabling continuous provision of services, collection of levies charged on accounts reports sent should be realised within a range of thirty days. The credit regulator’s role of the Mogale City Local Municipality was subdivided into cut-offs reconnections, legal functions, payment demands and arrangements. Cut-off duties included services restraints; follow ups on non-payments, low consumption cases and no deposits. One other purpose of credit management was strict supervision and reimbursements on accounts closed

Moreover debt collection roles included the distributing of notification letters, provisions, litigations, telephone tracking and handovers. The annexure of the Mogale city municipality further stated that credit control procedures are done with active notices or cautions. Accounts reports are viewed as notice of the debts to the customers and highlighting the purpose of credit management procedures.

The Municipality of Mogale further elaborated on vital credit control and dues collection procedures. Firstly there was request for new connection, billing, and projected usage. The credit
control methods were reminders or demand for payment, electricity disconnection and water restriction, illegal reconnection or altering of electricity which is whereby if repeated follow up actions were done as a result of no response from the debtor, disclose that unlawful service usage cost, will result in the service disconnection and used as criminal evidence which is filed on an examination file.

The policy also stated that, there are income retrieval procedures. Firstly, where final petition letters are distributed and the closure of services were to no avail and the account is unsettled for 90 days or over may be assigned to outside collectors of levies or lawyers for collection (municipality, 2012). Secondly if obligation for unpaid municipal charges and rates done by the landlord of the premises, the amount maybe recovered by municipality from residents or property occupants. The council has the duty to assign any arrear to the debt collectors regardless of its aging.

Looking at the situation in Zimbabwe, since the high inflation period of 2000 to 2008, municipal councils were encountering serious problems in collection of levies from other stakeholders and residents (Garaiza, 2014). Introduction of multiple legal tender in 2009 had no effect on ailing organisations as there were persistent problems in revenue collection. After successions of community upheavals about poor provision of services in many councils, the urban development and local government minister employs his influences to resuscitate councils in towns such as Bindura, Chinhoyi and Redcliff. On the other hand the liquidity situation and debtors ratio did not progress in these towns therefore there was need to find new openings to enhance revenue collection in local authorities.
Garaiza further suggested in the study that, timeous invoicing, improved work ethics, recruitment of knowledgeable experienced employees, and sufficient contact with the customers and enhanced collection of revenue procedures that will assist the municipal council to improve its collection of income. In addition the scholar learnt that although all classes of ratepayers are ailing to settle their arrears earlier, low income earners whom are also jobless usually are affected with this challenge of unsettled debts and they are mostly found in high density suburbs.

Ogujor (2010) studied about the credit control techniques for the PHCN to enhance their revenue collection. The study was done in Benin City in Nigeria in May 2010. The study wanted to examine why the electrical supply entity came up with the prepaid meter scheme and if it is recommendable for all Nigerians to adopt the use of the pre-paid meter system for the electricity supply. The study portrayed that as the coming up with the prepaid-meter scheme had improved collection of revenue; it diminished the generation of revenue as it was dependability based.

On the same platform Mbufu (2013) examined about the credit control measures for Ilala Local District Government to increase revenue collection. The study was done at Mzumbe University, Tanzania in the year 2013. The study wanted to examine the challenges faced by ILala District in revenue collection, to examine how revenue collection could be developed and to critically observe the connection between service provisions in local government. The findings showed the problems faced by the district local government such as political interventions, tax evasion and tax avoidance, how revenue collection could be improved and how revenue collection had a strong impact on service provision in local governments.

In addition the municipality (2012) introduced a credit and debt control policy to improve their revenue generation. The methods of revenue recovery stated that, when the final demand letter
was delivered and the disconnection of the provision of the service resulted in non-payments by the customers and the account is unpaid for 90 days or more might be assigned to lawyers or outside collectors of debt (municipality, 2012). Moreover if municipal charges and obligation for rates are unsettled by the property occupier, council may recuperate the unsettled balance from the property occupier. The municipal has the duty to assign any unsettled arrears to the lawsuit regardless of the period they had been in existence.

On the same note Garaiza (2014) in Zimbabwe studied on the challenges in revenue collection in Bindura Municipality. The study was done at Bindura Municipality in Zimbabwe in the year 2014. The scholar examined the revenue collection challenges and openings in Zimbabwean local authorities and possible solutions using Bindura Municipality. The study recognized that council of Bindura was incurring several problems which were mainly attributed by failure to efficiently improve revenue collection.

However nobody had studied on the credit control techniques for revenue collection on National Employment Councils in Zimbabwe. This study will therefore focus on the impact of credit control techniques on revenue collection and financial performance for NEC Agriculture. Moreover the above studies were studied up to 2010, 2013, 2012 and 2014 respectively but this study will be up to 2017.

The employment council of agriculture is a labour and Administration Organisation. The organisation deals with labour disputes between employers and employees in the farming industry. It is funded its operations through dues paid by the employer and the employee of the farming industry in order to cater for its procedures. NEC Agriculture has been facing problems of collecting revenue and improving financial performance. Targets were set but some were
never accomplished. An effort was done to achieve the targets but it did not resolve the problem as the contributions declined each year as pointed out by the SI 116 of 2014.

The council issued a declaration form, in which the employer and employee contribute a $1 each and the employer declares the money depending on the level of employment. It is stated in the declaration form that the farming entities are expected to remit their dues by the 3rd of every month failure to do so will attract an interest, thus it becomes one of the credit control measures for revenue generation. From the period 2009-2017 during the dollarization period, the council has experienced an enormous increase in the level of debtors. Moreover the management of the employment council reduced 50% of the arrears and requested farming entities with unsettled accounts to come and negotiate for payment plans that will be easier for them to clear their arrears and persuade them to settle their current monthly dues.

At first the organisation relied on issuing the declaration form via email to its customers to encourage farmers to remit their dues on time, but it did not yield many results as some ignored the reminder and some skipping payments of some months. Secondly they resorted to outsourcing external debt collectors which were their lawyers to follow up the debtors on their behalf. However it was quite expensive and more so the farming industry has a lot of participants thereby not yielding much results. Thirdly, in September 2016 the employment council resorted to employing Account Analysts (Internal Debt Collectors) whom were the internal employees of the council responsible for tracking debtors whom are not paying their dues to the organisation. The employment of the Account Analysts had a double effect in the sense that the revenue collection increased however the level of debtors also increased as more new farmers whom were unaware of NEC Agriculture were discovered and declared their debts from 2009-2017.
The level of debt up to 2017 is still very high as shown by the statistical data below.

Table 1.1: Yearly debtors’ listings schedule by NEC Agriculture

<table>
<thead>
<tr>
<th>Period</th>
<th>Actual debtors at beginning of year Millions ($USD)</th>
<th>Actual debtors at end of year Millions ($USD)</th>
<th>Actual % increase in debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$0.780</td>
<td>$0.800</td>
<td>2%</td>
</tr>
<tr>
<td>2014</td>
<td>$0.800</td>
<td>$0.864</td>
<td>6.4%</td>
</tr>
<tr>
<td>2015</td>
<td>$0.864</td>
<td>$0.985</td>
<td>12.1%</td>
</tr>
<tr>
<td>2016</td>
<td>$0.985</td>
<td>$1.154</td>
<td>16.9%</td>
</tr>
<tr>
<td>2017</td>
<td>$1.154</td>
<td>$1.338</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

Source: NEC Agriculture December 2017

These statistical data above is due to follow ups not being made to all the farming entities with arrears as they are too many farmers in the industry. Moreover some whom were making payments were skipping payments in some of the months without being noticed. Hence the scholar is going to assess the impact of credit control techniques implemented by the NEC Agriculture on revenue collection and financial performance.

1.2 Statement of the problem

NEC Agriculture is facing credit control and revenue collection problems in order to enhance financial performance. The organization has the potential to improve their revenue collection the
farming entities in the industry. The credit control challenges seem to be attributed to the organisation’s failure to move around all the farming entities within the borders of Zimbabwe and find out if the farmers are not under declaring levels of employment and some if not even remitting at all and also failure to recognize new credit control techniques in collection of revenue that can improve the ones already being adopted. Failure to mitigate the challenge would attribute to an increased level of debt which will also reduce revenue collection. The study will therefore focus on the impact of credit control techniques on revenue collection and financial performance.

1.3 Research Questions

What is the impact of credit control techniques on revenue collection and financial performance in NEC Agriculture?

1.4 Research Objectives

a) To assess the impact of revenue collection techniques.

b) To assess the cost associated with the credit control techniques against the revenue collected and financial performance.

c) To compare credit control techniques introduced by other countries with NEC Agriculture’s credit control techniques and draw lessons vital for more revenue collection and improved financial performance.

1.5 Significance of the study

This examination was done in partial fulfilment of the pre-requisites of the Bachelor of Commerce Accounting Honors Degree. This study will help related scholars who are in the same department of accounting to come up with applicable data. Moreover it will be an addition to the
learning materials in the department of accounting. The findings from the study may be useful to NEC Agriculture and other entities in the same line of business in coming up with numerous approaches to improve their revenue collection and financial performance.

1.6 Assumptions

This study is done on the following assumptions:

- Respondents in this study will provide relevant, reliable and accurate data.
- The questionnaires’ responses portray the current situation.
- The respondents to questionnaires and participants to interviews have sensible information of NEC Agriculture’s daily activities and the credit control techniques affecting their daily activities.

1.7 Delimitations of the study

Theoretical- This study is meant for the employment council of agriculture in Zimbabwe’s credit control techniques analysing their impact on revenue collection.

Geographical- This study is going to collect data from the NEC Agriculture in Greencroft, Harare’s accounts department and their Designated Agents.

Time- The study is going to collect data from January 2009 up to December 2017.

1.8 Limitations of the study

The methods used have a weakness which is the statistical data used in the research are estimated actual figures. Moreover it is a case study where you focus on one company only.
1.9 Ethical Considerations

The study have to ensure that there is confidentiality of information, meaning there is need to ensure that the information of the case entity is not disclosed in this study without the approval of the organisation’s management. The study has to acknowledge work from other scholars by citing in in text and end text to avoid plagiarism.

1.10 Definition of terms

Revenue- Muller (2010) pointed out that revenue is the inflows of service potential and economic benefits received and receivable by an organisation, that represents an improvement in net assets or the equity other than increases relating to owners’ contributions. Fair value of the consideration received or receivable may be the measurement of revenue.

Revenue collection- Webster (2010) defines revenue collection as the profit from sources of income such as levies or taxes that a nation, political unit or state collects and is placed into the treasury for public consumption.

Credit Control- According to council resolution no95 (2010), control of credit is the procedure where by a local authority organisation ensures income collection from fees levied for services rendered and revenue from sanitation and water, where there are fees in arrears after date of final payment set by the organisation.

Financial Performance- Bhunia (2011) stated that financial performance means an entity’s general stability of finance in a specified period of time. The Investor words dictionary also added that financial performance is the performance level of a business over a given period of time articulated in the sense of overall losses and profits incurred during that period. Analysing
The financial health of an entity permits the makers of decisions to evaluate the yields of business approaches and events in monetary terms.

1.11 Summary

This study is focusing on the impact of credit control techniques on revenue collection and financial performance. Basically this chapter touched on study’s background, the study question, study objectives, significance of study, statement of the problem, assumptions, limitations, delimitations and defining key terminology. Moving on to the next chapter the study is going to be looking at the Literature Review which is theoretical and empirical literature review.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section of the study will analyse applicable literature on the impact of credit control techniques on revenue collection and financial performance. In this section salutation of studies done by other academics that studied on the similar area and scrutinized their techniques to yield such findings is done. The utilisation of the studies done previously done by other academics on a certain area of study help with appreciation of the field of study and the challenge of repeating studies is prevented through identifying the gap of the research. This section also highlights how this study is going to be similar or different to the studies done by other academics.

2.1 Theoretical Literature Review

Theoretical literature review mainly focuses on theories done by several academics to elaborate subjects related to this study. This study is focusing on outlining explanations and assessments provided by various examiners on the credit control techniques. Theoretical review evaluates the comparisons and differences of several opinions given by examiners about an area of study.

2.1.0 Credit control and Common Credit control Techniques

One of the factors that can influence demand of a firm’s products is credit as pointed out by Horne (2012). Credit control aims at providing a double use of, improving revenue and sales prolonging credit to clients who are believed to be creditworthy and also, reducing danger of doubtful and bad debts by limiting or rejecting credit to clients who are not credit worthy (Dictionary, 2014). There are two categories of credit control techniques namely qualitative or
selective methods and quantitative or general methods (Discussion, 2010). Collins (2010) also talks about invoicing as a common method of credit control. He further elaborates that an essential measure of control of credit is to enable strict distribution of customer bills that are error free and which can be understood easily. Statements should also be issued as a method of credit control. Within five days of the month end statements should be distributed to all debtors. This notifies the debtor of monies due and giving the debtor another opportunity to settle the payment. Moreover asking for payment also acts as a credit control technique. It is extremely important to keep a track of all communications with a client when engaged in credit control as this will increase your capability to obtain payment. Letters and emails create an operative record to show that the debt is being pursued and puts the debtor under notice that payments need to be done. Requesting payment by phone is one of the most effective methods of obtaining more revenue although it requires a person to be proficient and polite.

There are several common credit control techniques found in the National Employment Councils in Zimbabwe such as cash receipting system, issuing reminder letters, summons or litigations, telephone tracking, internal debt collectors and outsourcing. Follow ups systematically are when after contacting the customer initially, it is very crucial to maintain a schedule of all the customer contacts in the entity’s databases. If the collector of debt is told that for example, the customer will make a bank transfer on a certain day and time, that should be recorded and noted and if it is if the client do not honor the agreed date, then tracking the client is important so that the effort of collecting the debt will not be unsuccessful (CRFOnline, 2013). Moreover accounts systematic tracking or follow up, even for those which cannot pay straightaway, emphasizes how serious is the outstanding arrear to the entity and it shows how important it is to the creditor. In addition summons or litigations are also a credit control technique. If your customer has not sent a
payment, or replied a letter or even returned a phone call for at least 3 weeks, in spite of all your efforts, visit their workplaces and if there is no favourable responses then it is the probable time to place the account with a collection agency or lawyer. This will lead us to another credit control technique known as outsourcing or debt factoring. Dictionary (2014) states that debt factoring in financial management terms is the subcontracting of the credit control job of a company to a third party. The benefits of debt factoring are that it saves staff time and administration costs, it’s a good way of raising finance easily as the debt collectors collect the revenue on our behalf. However the disadvantages of debt factoring are that it is expensive and may send wrong indication to your consumers that your business has severe liquidity difficulties.

2.1.1 Revenue

Beyera (2014) pointed out that revenue is the gross inflow of benefits in the course of the period arising in the development of the daily operations of a firm when those inflows attribute to an increase in equity other than improvements relating to contribution from participants of equity. Revenue is also all amounts of money received by an organisation from external sources net of refunds and other correcting transactions, proceeds from issuance debt, the sale of investments and intra governmental transfers (Census, 2016). Muller (2010) pointed out that revenue is the inflows of service potential and economic benefits receivable or received by an organisation, that represents an improvement in net assets or the equity other than increases relating to owners’ contributions. Fair value of the consideration received or receivable may be the measurement of revenue. National employment councils and other public institutions should devise other strategies to improve their revenue collection (Gibbs, 2012).
2.1.2 Recognition of revenue

The International Public Sector Accounting Standard (IPSAS) 23rd paragraph stated that the scheduling of revenue recognition from non-exchange transactions was determined by the nature of circumstances and their settlement. For example, were circumstance specified that the body was to afford services or goods to other parties, or bring back idle resources to the transferor, revenue was acknowledged as goods or services were provided and in addition this was supported by Richard (2012) in the study, when the scholar stated that acknowledgment of revenue collection was the key for organizational performance as the organization relied on revenue for day to day operations.

Paragraph 49 of the same standard further elaborated that when as a result of a non-exchange transaction, an entity acknowledged an asset, it also recognized revenue equivalent to the amount of the asset measured, unless it was also permitted to recognize a liability as also supported by Fred (2013). Where a liability was required to be recognized it would be measured in accordance with the requirements of paragraph 57 [which stated that the amount recognized as a liability at the best estimate of the amount required to settle the present obligation at the reported date], and the amount of the increase in net assets, if any, would be recognized as revenue.

2.1.3 Sources of revenue

Section 28 of Statutory Instrument 116 of 2014 stated that council revenue consisted contributions to the council as approved by the Minister of Labour shall be made by employers and employees in the industry for such purpose as provided in the employment council’s constitution. Hadrich (2013) pointed that the largest source of funding for farms was revenue from crops. Non-profit financing has focused on the revenue mix of non-profit organisations, and
has taken various approaches to the issue. Employment councils collected revenue from their own sources which fall under their jurisdictions for example NEC Harare Municipal collected revenue from City of Harare, NEC Allied Communications collected its revenue from mobile and telecommunication companies and NEC Catering collected its revenue from organisations in the hotel and catering industry. Revenue sources were related to the services offered by the organization (Fischer, 2011). Since general law employed restrictions on the tariffs to be charged by Employment councils, Employment councils may not increase contributions beyond the permissible determined as permitted by the Minister of Labour but are at liberty to abate these contributions and reduce the rates at a direct cost to the council’s budget (Kolovitskova, 2014).

2.1.4 Financial Performance and Common measures of financial performance

Measuring the results of a firm’s operations and policies makes up what we call financial performance. (Dictionary, 2014). Bhunia (2011) stated that financial performance refers to an entity’s overall financial wellbeing over a specified period of time. He further elaborated that financial performance analysis is the procedure of defining the financial and operating aspects of a firm from statements of finance and accounting. The Investor words dictionary also added that financial performance is the performance level of a business over a given period of time articulated in the sense of overall losses and profits incurred during that period. Chartered Institute of Management Accountants (CIMA) states that the procedure of evaluating the efficiency with which a reporting entity do well is by the acquiring of economic resources and their effective and efficient distribution in attaining its set goals. Performance procedures can be based on financial and non-financial information. CIMA(2015) adds that measures of financial performance is the procedure of improving assessable pointers that can be thoroughly traced to evaluate the progress made in attaining pre-set targets and using such pointers to evaluate
improvement in attaining these set targets. The pointers of financial performance of an entity include liquidity, profitability, solvency and many others.

University (2017), described some four common indicators or measures of financial performance as follows. Firstly liquidity which entails the level with which arrear commitments soon to be due can be settled with assets or cash that soon will be converted into liquid form. The financial performance is measured using the amount of working capital, the current ratio, the amount of working capital per dollar of gross revenue. In addition a further detailed evaluation of liquidity of a firm can be through determining cash flow budgets. Secondly solvency which entails the level with which all arrears is safeguarded and the comparative combination of equity debt capital used by the firm. One of the many ratios utilised to measure solvency is the total debt to asset ratio and is also based on the connection of net worth, assets and liabilities. The difference between expenses and income is what we refer to as profitability. Net institutional revenue is one important yardstick of measuring profitability. Annual rates of return on both equity capital and total assets also can be calculated and compared to interest rates for loans or rates for returns for alternative investments. Lastly financial efficiency is that percentage of gross revenue which is necessary to pay operating expense, interest and depreciation and also what is remaining for organisation revenue. The asset turnover ratio weighs how much gross revenue was created per dollar capitalized and other assets.

CIMA (2015) outline the following advantages and disadvantages of financial performance measures. The first advantage is that, there is improved control and making of decisions. Good understanding of an entity’s performance makes it possible to make correct decisions. When all support in decisions can be improved at all levels of the firm that refers to multidimensional measurement of performance. In addition there is accountability as an advantage. An important
tool to attain accountability at institutional and employee level in order to influence decision makers is measuring financial performance. However the disadvantage is that there is a constraint in obtaining success drivers such as invention or rigidity which result in a temptation to avoid them.

2.2 Empirical Literature Review

The objective of reviewing literature empirically is to analyse related previously done works that are similar to the one showed with the objective of revealing if the results obtained remain the same or differs. Many scholars have investigated about impact of credit control techniques on revenue collection and financial performance and also looking at some aspect reliant on their research objectives.

2.2.0 Credit control in Manufacturing Firms

James (2014) studied about the impact of operational credit policy on liquidity of manufacturing firms in Nigeria. Analysing the credit sales is the angle that the scholar used to study about control of credit whereas the case entity NEC agriculture credit control was viewed from the angle of offering service delivery on credit. The scholar assessed the challenges to do with non-review and non-monitoring liquidity difficulties connected to the sales done on credit. This investigation involved predominantly on effects of each of the individual mechanisms of cash discount, credit period and collection period on an entity’s liquidness. A survey research design was used by this scholar. In addition it included a survey of 4 manufacturing companies in Nigeria. Judgemental sampling technique was used in choosing the four manufacturing companies from a population of 25 manufacturing companies. Moreover the annual reports and accounts of selected manufacturing companies were lay open to statistical examination as well as
the questionnaire. Investigation of regression and variance evaluation was utilised in testing of the hypothesis. This study found that liquidity is at a desirable level when a company’s policy of credit is positive. Moreover businesses in the manufacturing industry display and assess the policy of credit frequently and therefore the allowance for discounting of cash would not be diminished as much as anticipated. Recommendations of this investigation were that businesses should consider their nature of the entity’s atmosphere, their mission as well before a credit policy is set up.

Kungu (2014) however studied about the effects of credit policy on profitability of manufacturing firms in Kenya whereas James (2014) had studied about the effects of credit policy on the liquidity of manufacturing firms in Nigeria. The scholar analysed features that create the credit terms, credit policy and collection efforts, and period of collection and standards of credit. A descriptive design was used by this scholar whereas James used a survey research design. In addition a random sampling which is stratified with a sample of 81 manufacturing firms was used as a sampling method compared to James who used a judgemental sampling procedure of only 4 manufacturing firms. Kungu had the same notion similar to that of James of using a questionnaire to collect data from the 81 manufacturing firms in Nairobi and 71 questionnaires were returned from the manufacturing firms. Both descriptive and inferential examination was used. Both scholars (Kungu and James) did assessment of regression and assessment of variance for testing of the hypothesis. The study discovered that positive connection is there amongst policy of credit and profitability in Kenya’s manufacturing firms, similar to James who found that when an organisation’s policy of credit is positive, liquidness is at a desirable level. The scholar recommended that the finance managers of manufacturing firms
frequently evaluate the credit policy of their entities to ensure that they are perfect and result in improved profitability.

2.2.1 Credit control in commercial banks

Chigozie (2013) examined the credit management and bad debt in Nigeria Commercial banks. The scholar utilised both secondary and primary tools of collection of data to regulate reasons behind doubtful debts. An assessment of autoregressive model and variance were smeared to authenticate findings for the years 1993 to 2011. The objectives were to analyse the reasons for doubtful and bad debts in Nigerian commercial banks and to investigate the effects of doubtful and bad debts in banks’, investors, profitability, the economy and public. The study did data analysis using the experimental research design. The study revealed that the increasing being in the figure of doubtful and bad debts in the commercialised banks was caused by insufficient close by checking of the borrowers to ensure correct application of fund, poor credit policy administration and let-down by the commercialised banks to issue loans instant follow ups to evade deviation. The scholar recommended that the bank management should launch sound borrowing policy for loans, acceptable administration of credit process and an efficient and effective apparatus to observe loaning role with well-known procedures.

On the other hand, Magnifique (2013) studied about the effect of financial performance and credit risk management of commercial banks in Rwanda. The aims of this examination were to find how the credit risk scrutiny and valuation, identification of credit risk procedures and risk observing and credit risk procedures are the effects of commercialised banks in Rwanda. The study used a research design which is descriptive in nature, whereas Chigozie used an experimental research design. The population and sample size was eleven commercial banks in
Rwanda. Data was collected using a questionnaire and interviews. This study outlined that most of the methods of management of credit risk utilised in this examination are extremely substantial forecasters of performance of commercialised banks in that country excluding peril observing. Risk identification of credit was shown to be substantial in commercialised banks’ profitability explanation in the nation. The study recommended that the Rwanda’s authorities to initiate policies and lawful environs that were favourable to connection of institutions in finance.

In addition, Li (2014) studied about the effect of management of credit risk on achieving profitability of commercialised banks in Europe similar to that of Magnifique who studied about the impact of financial performance and management of credit risk in Rwandan commercialised banks. The main aim of this study was to explore if there was an association amongst European banks’ profitability and management of credit risk. More so this examination aimed to assess whether the association was steady or unstable. The study collected data from 47 largest commercial banks in Europe from 2007-2012 and articulated an assumption which were related to the study question. An exploratory and descriptive research design was used where as Magnifique used a descriptive research design. A series of statistical tests were performed in order to test if the relationship existed. Other statistical tests were also done to analyse if the connection was stable or not. The study found that what positively affects the profitability of Rwandan commercialised banks is management of credit risk.

2.2.2 Credit control in Commercial Banks compared to Credit management in Microfinance institutions

Kagoyire (2016), studied about the effect of financial performance and management of credit risk on Rwandan commercial banks. This investigation used a research design which was
descriptive in nature. The targeted residents of the investigation comprised 57 employees of the Equity bank in the department of credit. Census was used as the sample giving a sample size of 57 employees. Judgemental sampling technique was used in sampling where the entire population was included in the study. Questionnaires were used to obtain primary data which were distributed to the participants by the scholar. Inferential and descriptive statistics were used by the scholar to analyse the data. This examination revealed that credit risk, client appraisal and policy of collection had an impact on the performance of finance of Equity Bank in Rwanda. This investigation showed that there was an effective association amongst financial performance of Equity bank and credit risk control, client appraisal and policy of collection. In addition, this examination recognized that credit risk control, client appraisal and policy of collection ominously effect financial performance and a lenient policy is less useful than a stringent policy. This scholar further recommended that Equity Bank may improve their credit control strategy to a lenient one for efficient debt retrieval.

However, Gatuhu (2013) studied about the impact of management of credit risk in Kenyan Microfinance institutions. This examination utilized a research design which is descriptive in nature similar to that of Kagoyire. The residents of this examination comprised of 59 microfinance institutions in that are members of AMFI in Kenya. The examination utilised a census study to carry out the investigation. Gatuhu (2013) used questionnaires to gather primary data where all the issues of the questionnaires were addressed, whereas Questionnaires were used to obtain primary data which were provided to the participants by the scholar (Kagoyire, 2016). Both Kagoyire and Gatuhu used descriptive statistics to examine the data. Reports were made centred on the results of the tables. Gatuhu’s results were similar to that of Kagoyire in the sense that his investigation showed that credit risk control, client appraisal and policy of collection had
an association with performance in finance of Microfinance institutions in the nation. The writers had the same recommendation which is in order to boost their collection policy; the Microfinance institutions in Kenya should use less a lenient policy and adopt a more stringent policy for efficient revenue collection.

2.2.3 Credit management on small scale business against debt financing on productivity of small to medium scale enterprises

Markudi (2013), studied on the effectiveness of management of credit on small scale enterprises. The scholar’s main objective was to assess the impact of credit management on small scale enterprises. The survey research design was used for the study. Questionnaires were distributed to thirty management staff of Water fist Rehoboth ltd, Ostrich Bakery and Ashi Rice ltd and their responses were used for data evaluation using chi-square at 95% assurance point. This investigation showed that there is positive impact of credit management on small scale enterprises. It was also revealed that credit management enables the existence and development as well as the creditworthiness of small scale enterprises. Some of the main well-known challenges of small scale enterprises were that of unrecorded client credit policy and late payment of credit from debtors and to their suppliers. In order to achieve effective credit management it was recommended by the scholar that, small scale entities should be exhilarated by their mentors to be more practical in their credit management practices, should also embark on a credit insurance cover and government should device interest charges on late payment and financial organisations should supply financial counsel as well as motivate best performs to credit management in small scale enterprises.
Dube (2013), on the other hand studied about the impact of debt financing on the operations of SMEs in Masvingo, Zimbabwe. Both qualitative and quantitative research designs were used in the study where as Markudi (2013) used a survey research design. The study used a sample of 80 SMEs. A survey was used to obtain primary data. SMEs records were utilised as secondary data in this examination. The study revealed that debt financing had a favourable effect on the efficiency of the small to medium enterprises. This examination showed that entities which got sufficient finance from the banks developed efficiency. A conclusion was made by this investigation that a sensible degree of debt in the capital construction of the small to medium enterprises assisted in the development of their efficiency.

2.2.4 Current credit control techniques that lagged in improving financial performance and revenue collection

The employment council is utilising a manual invoicing system at the present moment. Census (2016) stated that investigational proof endorse that financial characters are surely associated with performance of the entity and the provision of services. The reduction in income collection was due to farming entities that could not pay their fees as a result of economic problems that they encountered such as price hikes and prices controls which they cannot control. For example, auction floors determined the prices for tobacco and the reduction of the prices averagely had an undeviating effect on the capacity of farming entities to settle their obligation to the employment council; therefore it would result in a reduction on council’s income collection and financial performance. SI 101 for 2010 stated that let-down to pay dues is a wrongdoing which calls for penalties such as fines and imprisonment. National Employment councils should do regular reviews at consistent periods as pointed by the labour relations act Chapter 28.01.
The employment council had few account analysts in comparison to the farming entities in this nation Zimbabwe. NEC Agriculture had unsuccessfully accessed some farming entities hence they had to depend on estimated figures and yet most of the farming entities were unregistered in the employment council therefore it was problematic for NEC to gather income from farming entities from the time when they did not have data relating to farming entities not registered. Collins (2010) stated that an individual should look for a better balance between obeying firmly to legitimate rights and permitting designated agents to move freely. Farming entities took advantage of the fact that they are not visited frequently and they under declared their employment the numbers of the employees with knowledge that they will not be visited by the employment council to verify the numbers of employees.

2.3 Research Gap

James (2014) studied about the effects of policy of credit on the liquidity of Nigerian manufacturing firms, whereas Kungu (2014) studied about the impact of policy of credit on manufacturing firms’ profitability. Both studies used scrutiny of variance and regression scrutiny to test the hypothesis. Chigozie (2013) studied about the credit management and bed and doubtful debts in Nigeria commercial banks whereas Magnifique (2013) studied about the impact of management of credit risk and commercialised banks’ financial performance in Rwanda similar to that of Li (2014). Magnifique used a descriptive research design whereas Chigozie used an experimental research design and also Li used an explanatory research design. In addition Kagoyire (2016) and Gatuhu (2013) used descriptive statistics to analyse their data and they both recommend that to improve their collection policy in the banking sector and microfinance sector they should adopt a less a lenient policy and more of a stringent policy for more revenue collection. However this study tends to go beyond these other studies as it is going
to study on the credit control techniques in a National Employment Council in Zimbabwe for the Agriculture Industry which nobody had studied about the credit control techniques in this area. Moreover the study is going to go beyond these other studies by studying up to 2017.

2.4 Summary

The section of this study highlights different academics and similar studies that were conducted in those different countries. It explains on areas that affect credit control techniques on revenue collection and financial performance, benefits of credit control techniques and problems in enhancing revenue collection and financial performance. The chapter used several scholars providing their opinions on the study area. Next chapter will look into research methodology that is population and sampling, research design, research instruments and many others.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter seeks evaluate research methodology used in executing this research. Research methodology defines the methods that the scholar will use to gather data. Leedy (2016) added research methodology is the scientific and systematic process of solving research problems and entails how the research is structured and usually involves techniques which include tests, experiments, observations, surveys and critical studies. This chapter in this study is going to further elaborate on research instruments, research design, targeted population and data collection procedures.

3.1 Research Design

Creswell (2016) defines research design as plans, blue print and research processes that span the decisions from comprehensive assumptions to detailed data collection methods and data analysis. The scholar added that choice of research design hinges the research problem under study and issues under consideration, the academic’s personal experiences and the audiences of the study. This study used descriptive and case study research designs which have been further elaborated below.

3.1.0 Descriptive research design

This study will use a descriptive research design. Labree (2013) defines a descriptive research design as tool which helps to find answers to questions like ‘who’, ‘what’, ‘when’, ‘where’ and ‘how’ associated with a particular research problem. Moreover descriptive research design gives
the opportunity to use both qualitative and quantitative data analysis. This study is being carried out on NEC for the Agricultural Industry on the impact of credit control techniques on revenue collection and financial performance. The study will include an in depth evaluation of the credit control techniques such as summons or litigation, telephone tracking, outsourcing, interest on overdue payments by gathering data through questionnaires and interviews to find out if they have positive, negative or neutral effect on the revenue collection and financial performance of the entity. Moreover descriptive research design will help to describe how the current credit control techniques being used by the entity has affected their revenue collection and financial performance. The descriptive design uses different instruments in data collection such as interviews, questionnaires and observations and they help in understanding, expounding and evaluating data about credit control techniques.

3.1.1 Case Study research design

Flybjerg (2011) defined a case study research design as an example that captures the necessary in the context of research, a critical analysis of an individual unity emphasizing factors in relation to environment. This study is a case of NEC Agriculture which is situated its headquaters in Greencroft Harare and has branches in Bulawayo, Mutare, Marondera, Chinhoyi and Chiredzi. Case study is useful in assessing the impact of credit control techniques on revenue collection and financial performance as it enables an understanding of the current credit control techniques such as phone call tracking and the new credit control techniques that will be recommended after the data collection. Moreover case studies also allows comparability of information which means this study will compare the credit control techniques of NEC Agriculture with those of other countries in chapter 2 and draw vital lessons to improve revenue collection and financial performance.
3.2 Subjects-Population and sampling

3.2.0 Population

Population means summative of all members that adapt to a set of specifications. Labvitz (2010) stated that it is all individuals, whom the examiner is interested in, in order to obtain information and make extrapolations, comprising the population. This study has a cumulative total of 40 employees. The employees are from the finance department, accounts department and administration department. The population has both males and females but the top management being made up of the males only. The population comprises of the Chief executive and the personal assistant, finance and administration manager and the personal assistant, the accountant, the accounts assistant, the accounts clerks, accounts analysts, designated agents, receptionists/secretaries, the accounts intern students and the messenger. The study expected to get applicable information from the population as all have obtained ordinary level passes or better educational qualifications.

3.2.1 Sampling

Sampling is a process of selecting a representative out the entire population in a bid to estimate an entity’s performance, without gathering data from the entire population. Sampling can be in the form of probability and non-probability sampling. This study will use a non-probability sampling approach called judgemental sampling which is a process when selection of a sample is done on the foundation of knowhow of a population, its elements and the purpose. This study selected a sample from the relevant parties that is chief executive, finance and administration manager, accountant, accounts assistant, 2 accounts clerks, 5 account analysts (internal debt collectors) and 6 designated agents. The sample size is 17 employees out of a cumulative total of
31 employees. One advantage of judgemental sampling is the cheap cost and time involved in obtaining the sample. This study also deemed judgemental sampling to be appropriate because it allows the study to focus on information rich participants.

3.3 Research Instruments

Specific research instrument are used to gather data to meet specific need of different research problems and these includes interviews, observations, questionnaires and surveys. This study gathered the information using questionnaires and interviews. These are further elaborated below.

3.3.0 Questionnaires

A questionnaire is a data collecting devices used to collect primary data from targeted groups of respondents and contains structured questions. This study used a questionnaire which comprised of 30 open and closed ended questions. The questionnaire was collecting information to do with assessing the effectiveness of credit control techniques being used by the entity, comparison of the cost of credit control against revenue collected and also how the revenue collection could improve if the organisation were to implement credit control techniques introduced by other countries. The scholar in this study personally distributed the questionnaires to the employees of NEC Agriculture. The open ended ones allow for opinions and closed ones they provide detailed information. The closed questions are quick and easy to respond to and the questions are understandable and simplified. On the same platform open ended questions enables understanding of data points and the reason behind respondents’ opinion. Moreover the respondent enjoys personal attention and the interview has enthusiasm in their responses and opinions.
The participants were given sufficient time to fill the questionnaires before submitting them back, therefore it allowed respondents to read all questions before providing the answers. The questionnaires were also appropriate as they had no elements which could inflict fear to respondents since they were not required to disclose their names and hence it allowed for anonymity of the respondents.

**Likert Scale**

Jamieson (2014) stated that, Likert scales are usually employed to measure attitudes and providing corresponding responses to given questions and statements. It has 5 categories of responses, ranging from ‘strongly agree’ to ‘strongly disagree’. Cohen (2013) further stated that the legality of assuming an interval scale for Likert type categories is an important issue, because the appropriate descriptive and inferential statistics differ for ordinal and interval variables and if the wrong statistical technique is used, this study raises the chance of coming to the wrong conclusion about the implication of the study. This study used the Likert scale for the questionnaire design. The following table shows a usual Likert scale.

**Table 3.1: Typical Likert Scale**

<table>
<thead>
<tr>
<th>Item</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Certain</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

**3.3.1 Interview**

Insight (2014) defines an interview as a verbal conversation between interviewee and interviewer with interviewer guiding the flow of the interview. Interviews are usually applied in qualitative
researches. The interviewer will be responsible for control functions on the interview with the aim of obtaining rich and wide ranging data from the interviewee based on his knowledge of the study and thus a partner in establishing data and knowledge as contrasted from being a meagre observer. This study used face to face approach for the interviews and only six management officials were interviewed and this enabled collection of information which cannot be acquired through questionnaires. Moreover the interviews were open ended in nature so as to obtain the opinions of the interviewees in person. The interviews gave the platform for the participants to talk about their personal experiences on credit control techniques as compared to questionnaires were they just briefly specify to the questions being asked. The interviews enabled the study to clarify situations where the interviewee misunderstood. The interviewer could spot when the interviewee lied about the real credit control techniques hence removing bias.

Other clarifications of communication in the form of non-verbal communication and body language made the research more remarkable. Interviews were also deemed appropriate as they enabled the study to probe more questions some of which the interviewee were not even equipped for. This study had to agree with the interviewees on time spend on each interview session. Most of the interview sessions took sixty to ninety minutes.

3.4 Sources of data

Data was collected from data which will be elaborated below.

3.4.0 Primary Data

This is data gathered independently by the researcher and would be original data which had not been collected before (Creswell, 2016). Primary data actually tails behind secondary data because you should use current information and data before collecting more so you can be
informed about what is already been discovered on a particular research topic. Primary data is going to be collected from the employees of NEC Agriculture through the data collection tools interviews and questionnaires. One limitation of primary data is that its time consuming and costly.

### 3.5 Reliability and Validity of Data

Collins (2010) defines reliability as the repeatability of results. Reliability can apply to individual portion where people can take a vocabulary test two times and their results should be the same, then the results can be said to be reliable. Validity refers to the trustworthiness or believability of the research (Golafshani, 2013). Reliability ascertains the level of consistency by frequently applying the same research instruments see the level of disparity. The lesser the level of disparity the more reliable the research instrument is and this also goes vice-versa. If instrument to be used are dependable then the research is said to be reliable. Thanasegaran (2012) stated that reliability is much concerned about consistency use of research instruments. In this study uniform questionnaires and interview guide were directed to different respondents and similar results were obtained. Reliability was also observed through comparing interview results and questionnaire results hence dependable information and the research is realible. Validity ensures that observations of the study truthfully represent the assertion of the study. Validity was insured through asking questions related to the study and using research instruments that fits to the study.

#### 3.5.1 Pilot Testing

This is the initial testing of research instruments to find out whether it will work in practical situations and they are tested on a small group of people (Cohen, 2013). The main reason for doing pilot testing is to ensure that sample population does not only comprehend the
questionnaire but allows everybody understand in the same way. This study identified the roommate and a classmate as the two respondents for pilot testing. These respondents were given questionnaires and interviews were conducted to test if the information used on the questions were valid and reliable. By this way the study observed the conditions where the respondents could feel uncomfortable. The observer was able to find out the time required to conduct the interview or the time spent to answer the questionnaire in real time. Moreover it enabled for the amendment and perfection of questionnaires and interview guide before publication.

3.5.2 Data Triangulation

This involves the use of various research instruments such as questionnaire, observation and interviews to authenticate research findings. Data triangulation involves authentication of data obtained from numerous sources by contrasting and comparing them (Creswell 2016). Data triangulation is the most appropriate method to use when the research includes two or more research methods with the objective of triple or double scrutinizing the results. Data triangulation increases confidence on the research results and outcomes when more research instruments are used during data collection. Achibald (2016) defines data triangulation as a tool which validity and reliability of research information collected. The study used questionnaires and interviews in assessment of the impact of credit control techniques on revenue collection and financial performance at NEC Agriculture. Inherent weakness in one research method could be compensated by the strength of other technique contributing to gathering of dependable information.
3.6 Data presentation and analysis

This is the manner in which research data is presented through the use of understandable and simple formats. This establishes elements of clarity to readers and users of information and allows them to identify similarities and dispersal or spread of research results before going into more detail. In this study tables, charts and bar graphs are used to display research results. In a bid to ensure straightforwardness and understandability of the results tabular forms were used. Data analysis involves critical scrutiny of data to establish relationships, trends and patterns. After data collection numerous graphical tools will be employed to inspect, assess, alter and perfect data in a bid to highlight usefulness of information and make research conclusions. Kumar (2011) stated that data analysis is scrutiny of data to establish relationships, trends and patterns. Thematic approach was employed in analysing data composed of primary sources deduce respondents’ point of view in order to have a clearer analysis of credit control impact on revenue collection. Thematic approach is used to evade problems in examination of information and improve the understandability of information when presented.

3.7 Ethical considerations

When executing research it is of paramount importance to take into consideration public interest and observe rules and laws in order to avoid lawsuit. This study strives not to negatively affect other people particularly through interchange of provocative words through research instruments like interviews. This study was granted due permission by the Finance and administration manager of NEC Agriculture through a signed letter. The use of anonymity protected the respondents from possible intimidation as issues to do with credit control and organizational performance is treated as confidential information which cannot be easily made public. The research data gathered in this research shall be used for academic purposes only and the results
will be communicated to NEC Agriculture. The research acknowledged and referenced work by numerous source used in compilation of this research in a bid to avoid plagiarism which involves academic theft.

3.8 Summary

This chapter had looked into the research methodology which includes data collection procedures, research design, research instruments, data sources, population and sampling, data validation and reliability then data presentation. The next chapter will now focus on data presentation and data analysis.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

Data presentation involves the inspection, examination of research data, organization and summarization of research data. This chapter is going to present, analyse and discuss the findings using the data collection tools that are questionnaires and interviews used in chapter 3. Data is presented using the results which were acquired from the relevant employees in the organization. The research will present data using pictorial aids which includes bar graphs, tables and pie charts and the reason being to make research finding clearer and understandable. A summary is given at the end of this chapter.

4.1 Response Rate

Response rate is the group of respondents who answered questionnaires or participated in interviews divided by the entire group of respondents. The targeted population of this research was 40 employees and 17 respondents were taken as a sample. In addition the analysis’ respondents were the top management and employees from the accounts and administration department of NEC Agriculture and the study got a 94.12% questionnaire response rate from all the employees. The research response rate was convincing and sufficient to rely on in making research conclusions, more over Donald (2013) pointed that the total response rate must be above 50%. Kumar (2014) also stated that 70% is the accepted response rate. The table given below depicts questionnaire response rate.
Table 4.1: Questionnaire Response Rate

<table>
<thead>
<tr>
<th>Departmental Divisions</th>
<th>Questionnaire Administered</th>
<th>Completed Questionnaire</th>
<th>Rate of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Department</td>
<td>9</td>
<td>9</td>
<td>100%</td>
</tr>
<tr>
<td>Accounts Department</td>
<td>8</td>
<td>7</td>
<td>87.5%</td>
</tr>
<tr>
<td><strong>Overall Response Rate</strong></td>
<td><strong>17</strong></td>
<td><strong>16</strong></td>
<td><strong>94.12%</strong></td>
</tr>
</tbody>
</table>

The table above shows that a 94.12% questionnaire response rate was achieved in the whole organisation. This was caused by one questionnaire not returned from the accounts department. In addition, after seeking the permission from the finance and administration manager, it was much easier to administer the questionnaire to the participants of the organisation without any fear or victimization. The response rate was different from that of Kungu (2014) who got a 87.7% response rate. The difference maybe because this study is about the National employment council yet Kungu (2014) was studying about manufacturing firms which is quite a big industry as compared to national employment councils. In addition the scholar got this favourable response rate as the scholar worked for 18 months in NEC Agriculture and a good working relationship had already been established with the respondents. Therefore the good working relationship resulted in a positive impact on the response rate.
On the same platform, the interviews were conducted on 6 top management employees of NEC Agriculture that is the Chief Executive, the Finance and Administration Manager, the Senior Designated Agent, the Head Account Analyst, the Accountant and the Accounts Assistant. There was a 100% response rate in terms of the interviews as all these respondents participated very well during the interviews. Moreover the good working relationship established between the interviewer and the participants brought this favourable interview response rate. The interview response rate was different to that of Magnifique (2013) who got a 91% interview response rate because the commercial banking sector is huge and conducting interviews to all the 11 managers of the commercial banks might had been a difficulty for the scholar resulting in 10 managers only responding.

4.2 Questionnaire analysis

The questionnaire was designed in such a manner that it had 6 parts or categories. The first part requiring respondents about the personal data that is the department of occupation, working experience at NEC Agriculture, gender and level of education. The other parts were addressing the objectives of the study namely, to assess the impact of credit control techniques, to assess the cost associated with credit control techniques against the revenue collected and financial performance and lastly to compare the credit control techniques introduced by other countries with that of NEC Agriculture and draw vital lesson for more revenue collection and financial performance.

4.2.0 Gender Distribution

The analysis of the distribution of gender of the respondents at NEC Agriculture is outlined on the following figure.
Fig 4.1: Gender Distribution

The fig 4.1 above shows the distribution of gender with 84% being male respondents while 16% were female respondents. This showed the greater number of participants in the analysis of the study who responded to questionnaires were males. The findings were supporting that of Magnifique (2013) who found that the majority of the respondents were males and the minor respondents being females.

4.2.1 Educational level Distribution

Respondents in this research had different educational levels. The study of their level of education has helped this study to analyse the impact of credit control techniques on revenue collection and financial performance. The level of education was asked in order to determine if it has influence on the impact of credit control techniques on revenue collection and financial performance. The figure below depicts the respondents’ highest educational levels.
**Fig 4.2: Distribution of Level of Education**

The fig 4.2 above shows that the majority of the respondents have Diplomas with 40% followed by Degrees with 38% and the rest have certificates and masters. Therefore it means the highest level of education may give the respondents capacity to analyse issues effectively that affect them directly or indirectly. The level of education distribution at NEC Agriculture supports that of Li (2014) who found that majority of the respondents had diplomas and degrees in the commercial banking sector. Therefore good level of education would have a positive impact to this study as education may give an individual wide knowledge concerning the field and it makes the individuals courageous while responding to posed questions in the interview.

**4.2.2 Distribution of Working Experience at NEC Agriculture**
The study required the period in which the respondents had stayed at NEC Agriculture and it found that respondents had worked for eighteen, twelve, six, five, three and two years. The following table shows the range of working experience for the respondents.

**Table 4.2: Working Experience at NEC Agriculture**

<table>
<thead>
<tr>
<th>Range of number of years worked</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3 years</td>
<td>5</td>
<td>29.4%</td>
</tr>
<tr>
<td>5-6 years</td>
<td>8</td>
<td>47%</td>
</tr>
<tr>
<td>12-18 years</td>
<td>4</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

The table above outlines the level of working experience at NEC Agriculture with majority having worked for at least 5-6 years in the organisation. Therefore having knowledge of the organisation for a while, it could be possible for this study to get relevant responses about credit control techniques. Moreover the working experience distribution was different from that of Gatuhu (2013) whom had majority working for 2-3 years in the microfinance institutions. The difference could be because microfinance institutions employ contractual employees as the sector is small therefore the permanent workers with the working experience maybe few. As compared to the national employment councils who have majority being permanent employees which could possibly result in majority having worked for at least 5-6 years. In addition the working experience have a positive impact on the responses to the questionnaires and interviews as the respondents would have better knowhow to the credit control techniques being applied during their period of working with NEC Agriculture.
4.2.3 Impact of credit control techniques

The table below shows the level of agreement in terms of assessing the impact of the credit control techniques.

Table 4.3: Assessing the impact of credit control techniques

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing increases costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Summons or Handovers enhances revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Telephone tracking over debtors due increases costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Interest on overdue payments enhance payments to be done on time</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Internal debt collectors increases costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Declaration forms acts as reminders for payment</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Primary Data

The table 4.3 above shows that most of the respondents strongly agree that the current credit control techniques being implemented had a greater positive impact on revenue collection and financial performance. This is shown where 16 out of the 17 respondents strongly agreed that outsourcing increases costs in addition they also strongly agreed that summons or handovers enhances revenue collection and also interests on overdue payments enhance payments to be
done on time. This result maybe because the current credit control techniques was being partially implemented. Moreover the result was contrasting to that of Kagoyire (2016) who found that revenue collecting policies, credit risk management and client appraisals greatly influence financial performance

4.2.4 Costs associated with Credit Control Techniques on Revenue Collection

The table below shows the level of agreement in terms of assessing the cost associated with credit control techniques on revenue collection

*Table 4.4: Assessing Costs associated with credit control techniques on revenue collection*

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt collector commission reduces revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Telephone bills increases costs and declines revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Fuel allowances reduces revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Mileage Allowances reduces revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Airtime allowances increases costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Accommodation Allowances increases costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
</tbody>
</table>

*Source: Primary Data*

The table 4.4 above shows that majority of the respondents strongly agree that the costs associated with credit control techniques have a negative impact on revenue collection. This is
evidenced by the 16 out of the 17 respondents who strongly agreed that telephone bills increases costs and declines revenue, mileage allowances reduces revenue collection, airtime allowances increases costs and as well as accommodation allowances which increases costs. These results may be caused by the industry having too many farming entities yet there could be an economic instability causing price hikes and maybe cash crisis. The results may be different from that of Chigozie (2013) who used a survey in collecting data whereas this study used questionnaires and interviews to collect data.

4.2.5 Costs Associated with Credit Control on Financial Performance

The table below shows that the costs associated with credit control techniques on financial performance.

*Table 4.5: Assessing Costs associated with credit control on financial performance*

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt collector commission reduces financial performance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Telephone bills increases costs and declines financial performance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Fuel allowances reduces financial performance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Mileage Allowances reduces revenue and declines financial performance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Airtime allowances increases costs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
</tbody>
</table>
Accommodation Allowances increases costs | 0 | 0 | 0 | 0 | 16

**Source:** Primary Data

The table 4.5 above shows that majority of the respondents strongly agree that the costs associated with credit control techniques have a negative impact on financial performance. This is evidenced by the 16 out of the 17 respondents who strongly agreed that telephone bills increases costs and declines financial performance, mileage allowances reduces financial performance, airtime allowances increases costs and as well as accommodation allowances which increases costs. This could have been exerted by the economic meltdown in the economy causing telephone service providers to increase prices. The result contrasted to that of Kungu (2014) who found that effective credit policy is favourable in resulting in profitability of manufacturing firms as it is less costly in implementing.

**4.2.6 Alternative credit control techniques that would improve revenue collection**

The table below shows the alternative credit control techniques that would improve revenue collection if implemented by NEC Agriculture.

**Table 4.6: Alternative credit control techniques that would improve revenue collection**

<table>
<thead>
<tr>
<th></th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online billing system improves revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Letters and emails acts as reminders for prompt payments</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Debt factoring enhance revenue collection</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>14</td>
</tr>
</tbody>
</table>
Interest on overdue payments improve revenue collection | 0 | 0 | 0 | 0 | 16
Credit policies ensures adherence to payments on time | 0 | 0 | 0 | 0 | 16
Systematic follow ups enhance revenue collection | 0 | 0 | 0 | 0 | 16

**Source:** Primary Data

The table above shows that most of the respondents which are 16 out of the 17 respondents strongly agree that the credit control techniques implemented by other countries if implemented by NEC Agriculture would improve revenue collection. These techniques include the online billing system, letters and emails which acts as reminders for prompt payments and introducing credit policies to ensure payments are done on time. This supports the study done by James (2014) who stated that a favourable credit control policies would contribute to improved liquidity position. Moreover it supports the study done by Li (2014) who stated that online billing system ensures fast and prompt payments as well as efficient data capturing.

4.2.7 Alternative credit control techniques that would reduce cost of revenue collection

The table below shows the alternative credit control techniques that would reduce cost of revenue collection if implemented by NEC Agriculture.

**Table 4.7: Alternative credit control techniques that would reduce cost of revenue collection**

<table>
<thead>
<tr>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online billing system reduces cost of revenue collection</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Letters and emails acts as reminders for prompt payments</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Debt factoring enhance revenue collection 0 0 0 2 14
Interest on overdue payments reduces costs of revenue collection 0 0 0 0 16
Credit policies ensures adherence to payments on time 0 0 0 0 16
Systematic follow ups reduces costs of revenue collection 0 0 0 0 16

Source: Primary Data

The table above shows that most of the respondents which are 16 out of the 17 respondents strongly agree that the credit control techniques implemented by other countries if implemented by NEC Agriculture would reduce cost of revenue collection. These techniques include the online billing system, letters and emails which acts as reminders for prompt payments and introducing credit policies to ensure payments are done on time. This supports what Gatuhu (2013) pointed out stating that technological advancement in terms of record keeping reduces cost of revenue collection.

4.3 Data Analysis on Interviews

4.3.1 Challenges Faced by NEC Agriculture in terms of Credit Control

4.3.1.0 Economic Meltdown

Economic challenges were one of the constraints of the credit control where by most of the respondents outlined that it was very expensive to move around all the farms collecting revenue and verifying if all the farmers were complying with the stipulations of the organisation. The table below shows the feedback from the interview participants.
Table 4.6: Economic Meltdown

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responses</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td><strong>Percentages</strong></td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.6 above revealed that economic challenges may have a strong negative impact on credit control techniques. As shown all the respondents were of the same notion that the economic challenges in Zimbabwe were constraining the credit control to be done effectively. This supported Dube (2013) who found that economic instability affected the financing of SMEs in Zimbabwe.

4.3.1.1 Inability by NEC Staff to make regular Inspections

The staff at NEC Agriculture failed to verify if all the amounts declared by the farming entities were correct due to the fact that they could not move around to access all the farms in Zimbabwe especially in remote areas. The pie chart below shows the statistical data of inability of NEC staff to make regular inspections.

*Fig 4.3: Inability by NEC staff to make regular inspections*
The pie chart above shows us that majority farming entities in database but not visited, this means that there are quite a number of farmers which are unaware of the existence of NEC Agriculture as the majority could not have been visited by the debt collectors or designated agents yet hence there is need to move around those farms and thus resulting in more revenue to be collected.

4.3.1.2 Political Interference

The organisation had also been facing political resistance from interested people. Garaiza (2014) argued that political interface had a positive relationship to organizational performance. Moreover political interference had a direct impact on the decisions made by the organisation. Most of the respondents outlined that the debt collectors face challenges of being barred from entering into some of the farming entities especially those Chinese farms due to political interventions. Therefore this may hinder credit control and resulting in decline in revenue
collection. This supports what Dube(2013) found about the SMEs’s financing being hindered by the political interventions.

4.3.1.3 Lack of Proper Record Keeping

Most of the interviewees also reviewed that one of the challenges faced by NEC agriculture in terms on credit control internally was lack of proper record keeping. This could be because the industry has too many farming entities yet the organisation is still using pastel version 11 and relying on manual receipting. Therefore it could become difficult to produce statements for the customers in time and even charging interest for those late payers as there would be a backlog in terms of data capturing. James (2014) pointed out that advancement of technology makes record keeping easier for manufacturing firms.

4.3.2 Effectiveness of the current credit control techniques

The majority of the respondents stated that the current credit control techniques are being partially implemented and some of them have some gaps which need to be filled. The work based schedule or debtor’s tracker being provided by the account analysts and the debtors age analysis are the ones which are used as guidance in collecting revenue. Although these two databases need to be merged or consolidated as some of the amounts paid and declared are still different.

4.3.3 Additional Credit Control Techniques

Introduction of the online billing system to improve the accounting function. The interview revealed that the entire group of respondents supported that resorting to sophisticated computer information systems such as online billing system can improve collection of revenue. This
supports what James (2014) pointed out, stating that billing system and customer care contribute to improved client data management.

There is also need to create a website for NEC Agriculture where information can be disseminated to clients about what’s happening in the industry, the changes and if there are any new services being offered by the firm.

4.3.4 Impact of Costs Associated with Credit Control Techniques in relation to Financial Performance and Revenue Collection

The costs associated with credit control techniques have a negative impact on revenue collection. This means that a small unit increase in the fuel allowance, accommodation fees and airtime allowances will result in a unit decline in revenue collection. Therefore there is need to involve cost cutting measures such as adopting technologically advanced databases such as the online billing portal where both the client and the entity can manage the account without necessarily visiting the farms.

4.3.5 Strategies can be adopted to improve Credit control Techniques

There is need to establish relationships with the political parties such as the trade unions that represent the employers and employees in the farming entities to avoid barriers in entering the farms for revenue collection. The organisation should also improve its service delivery such that when credit policies are being introduced by the firm the customers will adhere to them as they will be getting value for their money.

There is need to upgrade the pastel system to pastel evolution or rather introduce another accounting package called SAP which can be customised to integrate information for case
management and the payments made by the farmers. Moreover the new system will ensure timeous billing and receipting, availing of customer statements and charging of interest on overdue payments instantly.

4.4 Summary

This chapter looked at analysing research data gathered from respondents. Research information was collected through the use of interviews and questionnaires, presented using bar graphs, tables and pie charts and analysed and discussed. The next chapter will focus on the summary, conclusions, recommendations and suggestions for further study.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarises the major findings explained previously in this research and provides the concluding remarks. There will be highlighting of the relationship between the outcomes and the research objectives. The research findings will be examined to come up with possible ways to improve credit control techniques to enhance revenue collection and financial performance of the entity. Suggestions for further study are provided at the end of this chapter.

5.1 Summary

The following are the major outcomes of the study for each objective which had been summarised below.

To assess the impact of credit control techniques

This study showed that credit control techniques have a positive impact on collecting revenue. In addition the research highlighted that there was a strong relationship between credit control techniques and revenue collection and financial performance. This is because a unit increase in credit control techniques would lead to increased revenue and improvement in financial performance. In addition this study also found that the current credit control techniques were being partially implemented resulting in revenue not being fully collected from all the clients and reducing financial performance. Moreover the farming entities are too many yet the debt collectors are few resulting in less implementation of the techniques. Overally the implementation of the current credit control techniques fully will result in an improvement.
To assess the cost associated with credit control techniques against the revenue collected

This study revealed that the cost associated with credit control techniques have a negative impact on revenue collection. A small unit increase in the costs associated with the credit control techniques would result in a small unit decline in revenue collection and financial performance. In addition the study found that the clients in the farming industry are too many hence there is need to use information technological tools for credit control to reduce costs and enhance financial performance and revenue collection. In addition the costs were being increased due to factors beyond our control such as the economic meltdown and the price hikes. Therefore the involvement of cost cutting measures for the credit control techniques would result in a reduction in cost and improvement in revenue collection.

To compare the credit control techniques introduced by other countries with that of NEC Agriculture and draw lessons vital for improvement of revenue collection and financial performance

The study found that if NEC Agriculture would implement the credit control techniques introduced by other countries it will result in a positive impact on revenue collection. This was because the credit control techniques being introduced by other countries were technologically advanced therefore if they were to be implemented by the organisation they would be cost saving and saving time. In addition the study found that there is need to implement strategies to improve revenue collection such as upgrading the database system as they have a positive impact on revenue collection and financial performance.
5.2 Conclusion

The study achieved its objective of assessing the impact of credit control techniques on revenue collection and financial performance. Backed by the research findings, the research concluded that credit control techniques have a positive impact on revenue collection and financial performance. In addition if the entity tries by all means to minimise the costs associated with credit control there would be an improvement in financial performance and revenue collection. From the study’s findings this study concludes that, credit control has the greatest impact on revenue collection and financial performance, followed by the costs associated with revenue collection, political interference and other economic factors also affects credit control techniques at the case entity.

5.3 Recommendations

Credit Policies

The study recommends the introduction of a credit policy that acts as warnings or reminders to the farming entities to pay their dues. Employing and applying appropriate credit control techniques is key driver for prosperity which NEC Agriculture should come up with uniform credit policies in the collection of revenue.

Staff Training and Development

The management of NEC Agriculture should improve the way they create employee teams by providing proper employee training and employee workshops and seminars to instil business knowledge in their employees and this would contribute to effective credit control techniques which will mitigate the risk of declining revenue and financial performance
Online Billing System

Online billing system which is more advanced should be introduced at NEC Agriculture. The proposed online billing system should have the capabilities of billing farmers, sending notifications and automatic generation of client account statements and reports.

Government Intervention

The ministry of labour and social welfare should protect the organisation from political parties who bar the debt collectors from carrying out their duties in some of the farming areas due to political interests.

Website Platform

NEC Agriculture should create a website page where they should continuously send communications and information to farmers so that they have up to date information about changes and happenings in the industry.

Upgrading of Database System

This study recommends proper record keeping of all farmers’ database information to ensure up to date information about the existing and new client information and effective service delivery to motivate in the prompt payments and adherence to policies stipulated in the industry. Moreover there is need to upgrade the pastel package to a better version that is from version 11 to pastel evolution.
5.4 Suggestions for Further study

Further research should focus on evaluating the effects of employing computer information technology in a bid to improve effectiveness of revenue collecting strategies in the Agricultural sector.

In addition the study recommends on the assessment of the impact of service delivery on revenue collection and financial performance of the National Employment Councils in Zimbabwe.

5.5 Summary

This chapter summarised the whole study, from the major findings of the study being explained in brief, the conclusion of the study highlighting the overall remark found from the study. It also highlighted the recommendations for the study and suggestions for further study which were also elaborated.
Reference List


Acts

Labour Relations Act Chapter 28:01

Statutory Instrument 323 of 1993

Statutory Instrument 101 of 2010

Statutory instrument 116 of 2014

4 April 2018

The Finance and Administration Manager

NEC Agriculture

No6 Cottenham Avenue

Harare

Dear Sir

RE: REQUEST FOR AUTHORITY TO UNDERTAKE A RESEARCH STUDY AT NEC AGRICULTURE

I am a student undertaking a Bachelor of Commerce Honors Degree in Accounting with Midlands State University. As part of my learning, I am required to conduct a research in line with my area of study. I hereby seek your permission to carry out a research study at NEC Agriculture and my research topic is, “Impact of credit control techniques on revenue collection and financial performance of a firm: A Case of NEC Agriculture”.

Information obtained from the study will be treated with confidentiality and used for academic purposes only.

Your approval will be greatly appreciated.

Yours Sincerely

Loraine Mambiri
QUESTIONNAIRE

IMPACT OF CREDIT CONTROL TECHNIQUES ON REVENUE COLLECTION AND FINANCIAL PERFORMANCE OF A FIRM: A CASE OF NEC AGRICULTURE

Please may you kindly answer the following questions accurately by ticking against the boxes provided on each question where necessary. For any additional relevant information not covered by this questionnaire use the comments and feedback box provided at the end of the document.

**NB:** do not write your names anywhere on this questionnaire

Kindly assist by completing this questionnaire. All information collected will be strictly used for academic purposes only.

Appendix B:

Part 1: Personal Data

Department of Occupation

Working Experience at NEC Agriculture

Gender

Level of Education
### Part 2:

<table>
<thead>
<tr>
<th>Impact of credit control techniques</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Outsourcing increases costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Summons/Handovers enhances revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Telephone Tracking over debtors due increases costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Interest on overdue Payments enhance payments to be done on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Internal Debt Collectors increases costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Declaration Forms acts as reminders for payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part 3:

<table>
<thead>
<tr>
<th>The following costs associated with credit control techniques have a negative impact on revenue collection</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Debt Collector Commission reduces revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Telephone Bills reduces revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Fuel Allowances reduces revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. Mileage Allowances reduces revenue

11. Airtime Allowances reduces revenue

12. Accommodation Allowances reduces revenue

Part 4:

<table>
<thead>
<tr>
<th>The following costs associated with credit control techniques have a negative impact on financial performance</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Debt Collector Commission reduces financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Telephone Bills increases costs and declines financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Fuel Allowances reduces financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Mileage Allowances reduces revenue and declines financial performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Airtime Allowances increases costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Accommodation Allowances increases costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Part 5:

<table>
<thead>
<tr>
<th>The following credit control techniques if implemented by NEC Agriculture would improve revenue collection</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>19. Online Billing System improves revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Letters and Emails acts as reminders for prompt payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Debt Factoring enhance revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Interest on overdue Payments improve revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Credit Policies ensures adherence to payments on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24. Systematic Follow ups enhance revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part 6:

<table>
<thead>
<tr>
<th>The following credit control techniques if implemented by NEC Agriculture would reduce costs of revenue collection</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>25. Online Billing System reduces cost of revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>26. Letters and Emails acts as reminders for prompt payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27. Debt Factoring enhance revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28. Interest on overdue Payments reduces costs of revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29. Credit Policies ensures adherence to payments on time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30. Systematic Follow ups reduces costs of revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Any other information and contributions relevant to the topic

..............................................................................................................................................
..............................................................................................................................................
..............................................................................................................................................
..............................................................................................................................................
..............................................................................................................................................
..............................................................................................................................................

Thank you for your co-operation
Appendix C: Research objectives

To assess the impact of credit control techniques

To assess the cost associated with the credit control techniques against the revenue collected and financial performance

To compare credit control techniques introduced by other countries with NEC Agriculture’s credit control technique and draw vital lessons for more revenue collection and improved financial performance.
Appendix D:

INTERVIEW GUIDE

QUESTIONS

1. What are the challenges faced by NEC Agriculture in terms of credit control?

2. How effective are the current credit control techniques?

3. What alternative credit control techniques can be employed by NEC Agriculture to enhance revenue collection and financial performance?

4. What is the impact of cost associated with credit control techniques against revenue collection and financial performance?

5. What strategies can be adopted to improve credit control techniques?