KAMPALA INTERNATIONAL UNIVERSITY

THE EFFECT OF CREDIT MANAGEMENT ON THE FINANCIAL PERFORMANCE OF A COMPANY (A CASE STUDY OF NEW VISION PRINTING AND PUBLISHING COMPANY)

BY

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DECLARATION

I, Arinaitwe Sowedi declare that this research report evolved through data collection from the field and various secondary sources acknowledged. It is my own effort and original work, which has not been submitted for any other award to any institution.

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This report has been submitted for examination with my approval as University Supervisor

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DEDICATION

I dedicate this research project to HAJJI BASAJJABALABA HASSAN who has struggled to make my future bright by educating me and providing all the necessary support to through out my life, may God reward you abundantly.

Also my family members especially my beloved wife Sarah Akong, children kudrat, shafiki, Sharif & salim, who missed me a lot during my studies, brothers and sisters for the moral support they have been rendering to me to achieve my goal of education.

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I am struggling to keep the candle burning for a better future.

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ABSTRACT

Finance is the lifeblood of a business. All business needs cash to operate efficiently. However, companies may not have all the cash they need to finance their operations. On the other hand, companies need to maintain and get more clients in their business. Though not all clients have cash to pay for what they need, credit is offered to them and they pay at a later date.

In this study, the researcher wanted to establish the relationship between credit management and performance. The study was based on the research objectives which were to examine the credit management policy of the New Vision Printing and Publishing Company, by establishing the criteria to be followed when extending credit to clients and to examine the relationship between credit management and financial performance.

The purpose of the study was to establish the effectiveness of credit management on financial performance of the New Vision.

The research was analytical and descriptive in the nature and was based on interviews, observations and questionnaires. A survey population of 40 employees was used. The researcher used purposive sampling technique. The research was based on primary and secondary data. The researcher intended to examine whether there is a relationship

between credit management and the financial performance of the New Vision Printing and Publishing Company.

It s a normal practice that the company gives credit to its clients that it is both new and existing ones. A big percentage of clients are given a credit period of only one month. The criteria used in collecting debts are mainly constant reminders and timely preparation and delivery of invoices.

It is important to note that relationship between credit management and financial performance exists in that if the credit control department relaxes and or becomes very strict, the financial performance will be negatively affected. If they relax, the debtors will not pay. If they become over strict they will stop sales orders which will limit the flow of revenue. Therefore, the credit control department should be moderate in implementing their policies.

CHAPTER ONE

1.0 Introduction

Most companies transact business on credit therefore it is paramount that credit be managed effectively because it leads to increased sales, and prompt payments bring about fair cash flow position all of which lead to improved financial performance and position of a company which every stake holder strives for, otherwise the company is bound to have liquidity, gearing problems resulting into poor performance and financial positions.

In this chapter the researcher gives brief background of the study, statement of the problem, highlights the purposes of the study, specific objectives and the justification for the study.

1.1 Background of the Study:

Uganda with a population of 22 million people (Budget 1999/2000) is one of the poorest countries in the world with a gross national product per capita of 170 United States Dollars (World Bank Report 2000).

The 2000 World Bank Report on Uganda's poverty situation also recommends credit extension services as a mode of economically empowering the people to reduce poverty and increase welfare.

With the above, homes, organizations and companies have come up with a system of extending credit facilities to the clients since most clients may not have adequate cash at Hand to have a product or service they need, so they are forced to have the products or services on a credit basis.

The New Vision Printing and Publishing Company Limited is one of the biggest companies in Uganda. It prints newspapers including the New Vision, Sunday vision, Bukedde, Etop, Orumuri and Rupiny. Also it publishes magazines and does commercial printing business.

Credit management is of great significance to a company like New Vision Printing and Publishing Company, if done very well it will lead to increased sales, prompt payment of debt and having credit worth clients all of which will lead to the increased financial performance of the company.

If credit management is not conducted very well it will lead to delay in debt settlement resulting in bad debts and decline in sales. This leads to poor financial performance of the company.

In the New Vision Printing and Publishing Company, there is a serious credit control department but to researcher's surprise, some clients are not paying and some have even run away with the company's funds. For example, in the years 2004 and 2005 a total of 12, 000,000/= was lost through agents running away with the company's funds.

1.2 Statement of the Problem

New Vision, as a company makes 67% of their sales on credit. However, not all clients or customers with credit meet their obligations of paying promptly. It is not known whether the company does not study first the credit worth nesses of customers / clients or simply the clients/customers don't want to pay. Therefore, the research is intended to throw more light on this unclear position.

1.3 Purpose of the Study

The purpose of the study was to establish the effect of credit management on financial performance.

1.4 Objectives of the Study

The objectives of the study included:

a) To examine the credit management policy of New Vision.
b) To establish the criteria followed when extending credit to clients.
c) To examine the relationship between credit management and financial performance.

1.5 Research questions

(i) What is the credit management policy in the New Vision?

(ii) What criterion is used by New Vision when extending credit to clients?

(iii) Is there a relationship between credit management and financial performance?

1.6 Scope of the Study

1.6.1 Geographical Scope

The study was conducted at the New Vision headquarters on Third Street, industrial area, Kampala

1.6.2 Conceptual Scope

The study was basically about credit management. It therefore involved the credit control department, sales and marketing, and the finance department.

1.6.3 Time Scope

The research took two and half months to accomplish, that is from April to mid June

2006. The researcher concentrated mostly on reports from 2000/2001-todate

1.7 Significance of the Study

(i) The study will be of help to the credit control department in improving its operation. The trade credit is very important to a company because it helps to protect its sales from being eroded by competitions and also to attract potential customers to buy at favourable terms. In many economies including Uganda trade credit is significant source of working capital. The amount offered or taken is a routine activity and needs to be reviewed.

(ii) Students and researchers who want to know about credit management will benefit from it. This is because before one sits down to do a research, he/she should first read other people's work to pick conceptual knowledge.

(iii) It will enhance researcher's knowledge on research besides attaining his /her degree in Bachelor of Business Administration and widen his/ her scope of understanding.

(iv) It will assist other stakeholders considering extending credit to any intending credit customer.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher looked at various literature based on the subject of credit management and performance written by various scholars, researchers and academicians.

2.1 The Concept of Credit Management

As long as there is competition in the industry, selling on credit is inevitable. This is because business will lose customers to competitors if it does not offer credit to its customers. Therefore, the investment in debtor which is credit is not a matter of choice but a matter of survival.

To the financial manager given the fact that investment in debtors is inevitable, how much should the investment be? To answer this question, the financial manager should consider the liquidity and profitability. A higher level of investment in debtors enhances the liquidity position of the firm at the expenses of profitability because of the costs associated with it. Low levels of investment in debtors leads to loss in liquidity though it will enhance profitability. The challenge to the financial manager is to have such a level of investment in debtors at the same time observing the twin objective of liquidity and profitability. This is called optimal investment in debtors. Kakuru Julius (2003).

Stoner et al, (1995) defined management as the process of planning organising, leading and controlling the organizational resources to reach stated organizational goals.

While credit policy is an institution's method for analyzing credit requests and its decision criteria for accepting and rejecting applications for credit. Credit management policy involves managing the three credit policy variables namely, credit standards, credit terms and collection efforts. Edminster (1980).

2.2. Credit Variables

2.2.1 Credit Standards

Panday (1995) defined credit standards as the criteria followed by a scheme in selecting people eligible to receive credit. Setting credit standards involves clients' analysis.

a) Analysis of Clients

To estimate the changes of default the clients should be evaluated using the five C's including:

(i) Character:

Van Horne and Wachowicsz (1992) refer to character as the creditor's willingness to honour obligations. In evaluating the character, the honest, integrity and management ability of the loan application are considered.

ii) Capacity or ability to pay:

Capacity is the prospective borrower's ability to generate cash and meet obligation. Van Horne and Wachnowicz (1992).

Babigambah (1995) adds that using income statement and projected cash flow can best do this. The margins of profit on a project should also be considered.

(iii) Capital:

Babigambah (1995) stated that the amount of borrower investment and liquidity and solvency positions should be considered whole considering whether or not to prove a loan (credit).

(v) Collateral:

This commonly refers to borrower's assets which could provide tangible security for a loan and which could be sold to repay the loan if necessary.

(V) Conditions:

This is the prevailing economic and other conditions in the general environment in which the borrower is likely to be operating from the duration of the loan and which may affect the client's ability to pay. These include conditions like trading seasons, type and state of business carried out among others. Pandy (1997).

b) Evaluation of credit applicants

After establishing credit standards to be offered, the firm must be evaluate individual credit applicants and consider the possibilities of a bad debt or slow repayment. The credit evaluation procedure involves their stages.

(i) Obtaining information on the applicant

A number of sources supply credit information and these include: -

Financial Statements

Frequently there is a correlation between an applicant's refusal to provide a financial statement and his business's weak financial position. Audited statements are preferable and where possible it is helpful to obtain interim statement in addition to year-end figures particularly with seasonal patterns of sale.

Credit rating and reporting

These may be obtained from mercantile agencies. This kind of rating information may include estimated size of net worth and credit appraisal for businesses of a particular size ranging from high to limited credit reports. Credit reports with brief history and its principle officers or nature of business, certain financial information and trade check of suppliers, length of their experience with the business and whether payments are discounted, prompt or paid when already due.

Bank checking:

This involves a credit check through the bank. Banks often have large credit departments that undertake credit checks as a service for their customers. By contacting a bank in which credit applicant has account information on average bank balance counted, loan accommodation experience and other financial information can be assessed.

Trade checking

Though dealing with people, credit people in particular area become a closely – knit group. A lending firm can ask suppliers of a business about their credit experience with it, a maximum of credit extended, the amount of time of credit and whether payment are prompt or slow.

The firm's own experience:

A study of promptness of past payments including seasonal patterns is very useful, frequently; the credit department will make written assessment of the quality of the management of business to whom credit may be extended. These assessments are very important as they pertain to character of the applicant.

ii) Analyzing information to determine the applicant's worthiness:

Van Horne and Wachowcz (1995) refers to credit worthiness as the process of determining whether a credit applicant falls below or above the minimum quality standards set.

If financial statements are used, the analyst will be interested in the applicant's liquidity and ability to pay bills, at times probably using ratios like inventory turnover ratios, average collection periods and debt to network coverage ratios among others. The analyst shall also consider the character and strength of business and its management, the business risk associated with its operations and various other matters.

Then the analyst tries to determine the ability of the applicant to service trade credit and the probability of an applicant's not paying on time, and information on the profit margin of the product on service being sold, a decision is reached whether or not to extend credit.

The Credit decision

This credit decision establishes whether credit should be extended and what the maximum amount of credit should be. Once the credit analyst has marshaled the necessary evidence and has analyzed it, a decision must be reached as to whether or not to offer applicant credit. For credit being offered the first time, procedures may be put in place to avoid the repeat of laborious credit worthiness checking whether credit is required by the customer. Usually a time of credit is established in this case. A line of credit is the maximum amount a firm will allow it to under go per account.

2.2.2 Credit Terms:

Panday (1997) defines credit terms as stipulations under which credit is given. Credit terms should neither be too tough nor too generous but should be set around industry average. Kakuru Julius (2001).

They involve: -

a) Credit period

This is the period given to clients to settle their outstanding debts. It varies from company to company for example one company may set it at one month another company at two months.

b) Terms of payment

These are conditions and procedures set for credit client to settle their debts.

c) Interest rates

This is money charged to debtors for having benefited from debts given to them.

In most banks, they are determined through personal negations between the borrower and the lender. Banks may try to vary the interest charged according to the credit worthiness of the borrower. The lower the credit worthiness the higher the interest rate charges.

In most banks, they are determined through personal negotiations between the borrower and the lender. Banks may try to vary the interest charged according to the credit worthiness of the borrower. The lower the credit worthiness the higher the interest rate charges.

Also vary in keeping with money conditions. One measure that changes with underlying market conditions is the prime rate. The prime rate is the rate charged on business loans to financially sound business. The rate is usually set by large money market banks and relatively uniform throughout the country.

2.2.3 Collection effort

A collection policy would be needed because not all clients may pay in time. Some are slow while others are non-payers. It should be clean and aimed at accelerating collection from slow payers and reducing bad debts loses. After expiration of credit period, first, a polite reminder may be sent to client or resending the invoice. If no response, progressively strong worded reminders. Then telephone calls or personal to defaulter may follow. In extreme cases, legal action or sale of attached properties may be done.

According to Pandy (1995), collection efforts are procedures used to accelerate collections from slow paying customers and to reduce bad debt losses. Prompt collection is therefore aimed at increasing turn over while keeping costs low and bad debts within the limit.

Stoner etal, (1995) defines organizational performances as the measure of how efficient and effective an organization is, that is how well it achieves appropriate objectives. He continues to define efficiency as the ability to minimize the use of resources in achieving organizational objectives. On the other hand, he defines effectiveness as the ability to determine appropriate objectives.

2.3. Definition of performance:

According to Kakuru Julius (2002) performance is the use of the available resources efficiently to enable operating long terms assets on daily basis to produce desired goods and services. Performance is also described in terms of profitability and sustainability.

Van Horne (1994) describes performance as a situation where the firm seeks to maximize its revenue while minimizing its costs. Sustainability is the use of the available resources efficiently to enable produce the desired goods and services

Financial Performance Measures:

Kakuru (2002) defines performance measures as being ratio analysis which indicates the relationship between net income and the total assets used to generate the income. Performance income is therefore measured in terms of profitability, liquidity, efficiently leverages and investments.

Profitability indicates the ability of the firm of each return on investments and can be described as a situation where the firm seeks to maximize its revenue while minimizing its costs.

Liquidity indicates the ability of the firm to meet its short-term obligations as they fall due.

Efficiency is the ability of the firm to utilize the available resource to generate adequate revenue.

Leverages indicated the ability of the firm to meet its long-term obligations hence considers long-term financial structures of the firm to provide indication of long-term solvency.

Investment is measured by ratios which show how capital market value the firms financial assets and how the investing public regard the performances of the firm in terms of services and goods delivered. Kakuru Julius (2001).

In establishing standards and methods of measuring performances, it is important to note that precisely worded measurable objectives are required. They are easy to communicate and translate into standards and methods that can be used to measure performance. Performance should match or be better than standards in order to be considered good.

2.4 Relationship between credit management and performance:

Most capital intensive organization, public enterprise inclusive, tend to have no systematic credit screening mechanisms but resort to aggressive collection efforts and secondary controls like disconnection of services if payment is not made within the stipulated time. Buckley (1993). The perceptive of performance is derived from the bankers' dilemma of ability and assets management, which focused on maintaining, balanced level of returning and liquidity to high light magnificent relationship between credit management and institutional performance Van Horne (1994). The problem with credit management however, arises when the creditor (supplier) makes a wrong judgment and the debtor (customer) fails to pay the most considered over due, Armstrong (1993).

Further more, Armstrong (1993) states that each organization defines its credit terms and payment schedules, most organizations are pre-occupied with how to control or eliminate default, but have no comprehensive measures of assessing the credit standards of applicants before extending credit to them. This explains the huge bad debt, which affects the profitable, and sustainability, hence the performance of most organizations.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter, the researcher looked at the various ways of getting the necessary data including methods of data collection and analysis. It includes research design, survey population, sources of data and problems faced during the study.

3.1 Research Design

The research was both descriptive and analytical in nature and was purely based on the interviews, observations and questionnaires.

3.2. Survey Population

The survey population included 40 employees of which 10 were from accounts, 9 from finance, 12 from credit control and 9 from sales and marketing departments of the New Vision Printing and Publishing Company.

3.3. Sampling

3.3.1 Sampling Design

Sampling design was done in accordance with the objective of the study. Various departments relating to credit management were included like the credit control, finance, accounts and the marketing departments. The researcher used purposive and selective random sampling technique because the research necessitated the use of the technique. The sample size of 40 respondents was selected.

3.3.2 Sampling Procedure

After the sampling of the various respondents to be interviewed from their stratified grouping, the sample included 40 respondents.

3.3.3 Sample Size

Due to inadequate time and resources, the researcher used a sample of 40 respondents. Of which 12 were from credit control, 10 from accounts, finance had 9 and 9 from the marketing department.

3.4 Data Collection

3.4.1 Data Sources

Data sources included:

(i) Primary data

This is the first hand data that is extracted right from the respondents by use of structured and un-structured questionnaires and face-to-face interviews.

(ii) Secondary Data

In order to build more on the primary data got, the researcher used company reports, creditor registers, newsletters and annual reports and text books from library.

3.5 Data Collection and Instruments

The data collection methods that could yield much response from respondents and simple less costly and less time taking were employed.

3.5.1 Interview

The researcher used simple formal interviewing as a major method of data collection and this enabled him deal with the respondents directly, explaining questions which sought those have been difficult to understand.

3.5.2 Questionnaire

Under this method, use of self-assessment questionnaire to collect data was used. The questionnaires were put in the simplest language easy to understand by all respondents

3.5.3 Observation

Under this method the researcher used naked eyes to watch and carefully study the pattern of events and how they occur, it included observing the sales cycle i.e. right from when customer places an order to the point he pays or written off as bad debt.

3.5.4 Data processing and analysis

After all data was collected, researcher tabulated, edited it in order to check for corrections, omissions, incompleteness and accuracy.

After editing the researcher used various statistical methods including tables, graphs and percentages to analyze and interpret the data.

3.6 Limitations of the study

- Financial constraints

The study involved transport, telephone calls secretarial services and others which were costly.

- Negative response

Some respondents were not so welcoming to my questions and interviews. This created a barrier too.

- Time constraint

The study needed a lot of time especially during the data collection period as some respondents needed patience in order to reap more data from them.

- Confidentiality

As this was a very confidential topic. Some of the information needed was confidential and could not be easily accessed, though the letters of introduction helped during the introduction to the respondents.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF FINDINGS

4.0 Introduction

Under chapter four, the researcher goes ahead to give the research finding and the interpretation of the data collected from respondents. The findings are presented in statistical methods of presentation including percentages, tables, graphs and others. The research was based on the research objectives. The respondent size was 40.

4.1 Personal Information on Respondents

Under this, the researcher got bio information of all the respondents.

Table 1: Table showing personal information of respondents

Age	Male	Female	Accounting	Finance	Credit Control	Sales and Marketing
20-29	4	6	3	2	3	2
30-39	12	8	4	6	5	5
40-49	6	2	1	1	4	2
50+	2	-	2	-	-	-
Total	**24**	**16**	**10**	**9**	**12**	**9**

Source: Primary Data

From the above, 40 respondents were interviewed, 24 of which were male and the female were 16, of them, 10 were from accounting, 9 from finance, 12 from credit control and 9 were from the sales and marketing department.

Regarding the employees experience, the respondents had worked for New Vision, the following results were got.

Table 2: Employees experience in New Vision

No of years	Frequency	Percentage
0-1	2	5
2-3	6	15
4-5	9	22.5
6+	23	57.5
Total	40	100%

Source: Primary Data

4.2 Credit management policy of New Vision

All the 40 respondents agreed that the company accepts credit from clients as Illustrated below:

4.2.1 Credit period

On the issue of the credit period, the following response was got:

Table 3: Showing credit period given to clients

Credit period (month)	**Frequency**	**Percent**
1	32	80%
3	8	20%
6	0	
12	0	
Total	**40**	**100%**

Source: Primary data

80% of the respondents, noted that clients are offered a credit period of only one months (30 days), and this is as at the date of the delivery of the invoice while only 20% take 3 months to clear their understanding.

4.2.2 Credit Procedure

The respondents gave the following procedure before offering credit.

a) **Obtaining information on the applicant**

(i) Sales Executives go out to look for clients.

(ii) After the clients has accepted to buy space, then its either cash or credit.

(iii) If credit control offers credit foams which are either temporary (for clients in the classified section) or permanent credit for clients with very big order (like from ¼ page to full pages and may need more services in the future. (Check appendix for copy of credit forms).

b) **Analyzing information on the applicant's credit worthiness.**

(i) After the foams are returned by the sales executives, the credit control manager analyses them to prove whether they are credit worthy or not.

(ii) The credit decision: Yes it is taken into account and order is approved if not, it is cancelled and the client advised to pay cash.

4.2.3 Credit clients in percentages

Form the research, respondents gave some data on what percentage customers pay on credit.

Table 4: Showing percentage of clients who get credit

Credit Clients	Frequency	Percent
0 - 20	16	40%
30 - 59	21	52.5%
60 – 59	3	7.5%
60+	0	0
Total	**40**	**100%**

Source: Primary data

From data given, most respondents said that the biggest percentage of customers who get credit is between 30-59 (which is 52.5). This means more sales are done on credit.

4.3 Criteria Followed when Extending Credit to Clients

4.3.1 Measures taken to ensure that debts are paid promptly.

The measures used to examine the criteria used in extending credits to clients were: -

- Timely preparation of invoice,
- Timely delivery of invoices,
- Constant reminders,
- Stop advertising for credit clients and
- Setting up maximum credit amount:

Rating

- **5**- Very efficient,
- **4** – efficient,
- **3**- Not certain,
- **2**- Inefficient and
- **1** – Very inefficient.

Table 5: Showing measures taken to pay debts promptly:

Measures taken	5	4	3	2	1	Total Sales
Timely preparation of invoice	7	20	3	0	0	**174**
Timely delivery of invoices	19	14	7	0	0	**172**
Constant reminders	24	16	0	0	15	**184**
Warnings	4	7	0	14	4	**91**
Stop advertising for credits	8	12	2	14	0	**126**
Setting up maximum credit amount	14	16	4	6	0	**158**
Grand total Score	**81**	**89**	**19**	**36**	**20**	**905**

Source: Primary data

From the results got from the respondents about the most efficient measure taken for clients to pay their debts, constant reminders scored highly with 184, while timely preparation of invoices and delivery scored 174 and 172 respectively. The least factor was warning clients about their debts, it scored 91, this is because warning are negative means of approaching a client and this may make the company loss.

4.3.2 Reasons why clients complain

(i) Putting a wrong advertisement cutting on their invoice

(ii) Giving them wrong invoices i.e. NARO may be given NAADS invoice

(iii) Some invoices are over billed, example instead of 624,000/= the invoice may have 642,000/= thus a client may refuse to pay.

4.3.3 Relationship between credit management and performance

4.3.4 Factors considered when measuring financial performance and credit management in The New Vision Printing and Publishing Company

The measures considered when examining relationship between debt management and financial performance of the New Vision Printing and Publishing Company were

- Profitability,
- Efficiency,
- Liquidity,
- Leverage,
- Investment and
- Response

From clients and the following scores were used to ascertain the strength of the relationship: -

- 5- strongly agree,
- 4 – agree,
- 3 – uncertain,
- 2- Disagree,
- 1 – Strongly disagree.

Table 6: Showing relationship between credit management and financial performance.

Measure	5	4	3	2	1	Total score
1. Profitability	24	10	4	2	0	176
2. Efficiency	32	7	1	0	0	191
3. Liquidity	13	16	9	2	0	160
4. Leverage	10	14	9	7	0	147
5. Investment	14	14	4	4	0	146
6. Response	22	12	4	2		174

Source: Primary data.

From the table on performance, respondents had the following on the measures they think are more considered in measuring performance, efficiency scored 191, following by profitability with 176 while response from clients scored 174, this means an informal method and is got through research when clients call back to appreciate or complain and investment scored least with 146 points.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter deals with conclusion that the researcher has drawn from the study undertaken and consequently the recommendations. All the findings were depending on the research objectives of the study in Chapter 1(1.4), which were: -

(i) To examine the credit management policy of New Vision

(ii) To establish the criteria followed when extending credit to clients.

(iii) To examine the relationship between credit management and performance

5.1 SUMMARY

5.1.1. Credit Management

From the findings, it was realized that, New Vision, had both cash and credit clients, and further still more credit is even to existing clients than new clients. And the credit period is supposed to be one month, though some clients go as far as 6 months to pay. And further still, a credit procedure is followed by giving clients forms to fill to know who are liable for the credit or not and these are approved by the credit control department.

Further still, from the findings, respondents noted some measures taken to prompt clients pay their debts and it was realized that the best measure was constantly remind clients about their debts and when to pay. While negative measures like warnings and cutting off business with clients were not so good and some clients complained about their bills, wrong invoicing, placing money cuttings, this delayed them to pay their debts.

5.1.2 Financial Performance

While on the issue of performance, the highest measure used to measure performance is efficiency followed by profitability, then response from clients, liquidity followed by leverage and lastly investment.

5.1.3 Relationship between Credit Management and Financial Performance

From the finding, the researcher noted that the performance of New Vision has been affected by credit as when finances are held in debts then operations are not well effected thus making it inefficient for the company to develop. The researcher also noted that credit terms are not adhered to. The credit control department though in place some clients don't honour their debts in time. Recently modern new technologies have been introduced called scalar and invasion which help in billing and making customer statements and thus invoices and receipts made in time and not easy to duplicate.

5.2 Recommendations

The researcher has suggested the following recommendations, which may improve the efficiency of the credit management system:

(i) Motivation of the staff in order to be more effective in debt collection. This may be done in a way of rewarding in terms of commissions that is a uniform percentage should be applied to the money collected from debtors. This will mean the more money you collect the more money you earn. This will encourage staff (debt collectors) to be more effective in collecting debts.

(ii) Reducing on the bureaucracy in the credit control department and giving them powers to deal with bad debtors. This can be done by forming a horizontal type of organizations chart where the decision will be taken quickly without going through a long process of bureaucracy if the organizational chart was vertical type.

(iii) More efficient means in credit procedures should be done in order to know who is creditworthy. These means may include first telling the client to bring guarantors to check their bank accounts and seeing whether they have been operating actively and studying the past experience of clients before they become our clients.

(iv) Training staff in issues of credit management. Staff (debt collectors should constantly be trained in refresher course concerning debt management and debt collection. This will enable them to manage debt efficiently and effectively.

5.3 Suggested areas for further research.

Besides the effectiveness of credit management and financial performance, The New Vision Printing Company should tackle other areas like;

The impact of inventory management and control on the performance of an organization like inventory for example stock since they are required ahead of sales. Further research in effect of cash management on the performance of an organization.

More research should be done on motivation of staff in all departments in the company to avoid mismanagement of resources and fraud.

More research on purchases and procurement of various company items and other things

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APPENDINCES

APPENDIX A

QUESTIONNAIRE

Dear Sir/Madam,

RE: REQUEST TO PARTICIPATE IN THE SURVEY RESEARCH AS ONE OF THE RESPONDENTS

You are kindly requested to spare a little time for me and answer questions in my questionnaire. Every answer given will be treated confidentially; you don't have to include your name on the paper. This questionnaire is purely for academic purposes and cannot be used for anything else.

Thank you.

a) Personal Information

Please tick where necessary

1) What age bracket do you fall in?

   a) 20 – 29 ☐

   b) 30 – 39 ☐

   c) 40 – 49 ☐

   d) 50+ ☐

2) In which department do you work?

   a) Accounts ☐

   b) Finance ☐

   c) Credit Control ☐

   d) Sales and Marketing ☐

3) How long have you worked in New Vision?

a) 0 – 1 year ☐
b) 2 – 3 years ☐
c) 4 – 5 years ☐
d) 6 years + ☐

4) Sex?

Male ☐
Female ☐

b) Credit Management

1) Do you allow credit clients in your business?

a) Yes ☐
b) No ☐

2) What kind of clients get credit from New Vision?

a) New clients ☐
b) Existing clients ☐
c) All above ☐

3) How long does your credit period take place?

a) 1 month ☐
b) 3 months ☐
c) 6 months ☐
d) 12 and above ☐

4) What credit procedure do you allow when dealing with clients?

....

....

....

....

5) Using estimation, what percentage of customers settle their bills within the given credit period?

a) 0% - 29% ☐

b) 30% - 59% ☐

c) 50% - 89% ☐

d) 90 and above ☐

6) What measures do you use to ensure that the clients pay their debts promptly?

a) Timely preparation of invoice ☐

b) Timely delivery of invoices ☐

c) Constant reminders ☐

d) Warnings ☐

e) Stop advertising for the clients ☐

f) Setting up the maximum credit amount for the clients to take. ☐

7) Do clients ever complain about their bills?

Yes ☐

No ☐

d) Performance

1) What factors do you consider when measuring performance and credit management in the New Vision? (Tick where appropriate).

1. Net income	**5**	**4**	**3**	**2**	**1**	**Grand Total**
2. Profitability						
3. Efficiency						
4. Leverage						
5. Investment						
6. Response						

Source: Primary data

<u>Key</u>

5 - Strongly agree 3 - Uncertain 1- Strongly disagree

4 - Agree 2 - Disagree

NEW VISION PRINTING & PUBLISHING COMPANY LTD.

ADVERTISING TEMPORARY CREDIT APPLICATION FORM

1. Name of applicant...
2. Telephone number(s)...
3. Postal Address..
4. Physical location...
5. Contact person.. Designation..

   Tel.. Sign and official stamp..............................
6. Amount applied for..
7. Advert details...
8. Sales Executive Name..

   Signature:.................................... Date...

CONDITIONS: a) Invoices must be settled not later than 15 days.

b) If for any reason the debt is not settled within 15 days all costs incurred in getting it settled shall be met by the client.

PERSONAL GUARANTEE

I guarantee that the contracted amount will be paid within 15 days. If not I stand personally responsible to pay.

Name.............................. Signature ....Date...................................

Contact Address: ....

CREDIT APPROVED BY:

ADVERTISING	**ACCOUNTS**
Name:	Name: ....
Designation:	Designation:...
Signature:	Signature: ....
Date:	Date: ....

NOTE: 1. ALL PAYMENTS SHOULD SRICTLY BE BY COMPANY CHEQUES IN THE NAMES OF THE NEW VISION.

2. THE RECEIPT SHALL BE ISSUED AFTER PAYMENT OR DELIVERED WITHIN 24 HOURS (IF HANDLED BY AN ADVERTISING EXECUTIVE)

APPENDIX B

THE NEW VISION PRINTING & PUBLISHING COMPANY LTD.

ADVERTISING CREDIT APPLICATION FORM

1. Name of Applicant..
2. Telephone Numbers (s) ....
3. Postal Address...
4. Physical Location..
5. Nature of Business..
6. Amount applied for..

BANKERS

NAME OF BANK

1. ....
2. ....
3. ....
4. ....

SHAREHOLDERS

1. ....
2. ....
3. ....
4. ....
5. ....
6. ....

OTHER COMPANIES WHERE YOU ENJOY CREDIT FACILITIES

1. ....
2. ....
3. ....
4. ....
5. ....

CONDITIONS

1. Invoices must be settled not later than 30 days.
2. Interest penalty of 2.5% per month will be charged on novices older than 60% days.
3. If for any reason debt is not settled within the 60 days, all costs incurred in getting it settled shall be met by the client.
4. I/We certify that the above information is correct and
   I/We hereby promise to abide by the terms and conditions.

AUTHORISED SIGNATURES

	Name	Designation	Signature/Stamp
1.	....	....	....
2.	....	....	....

FOR OFFICIAL USE ONLY

Applicant's credit limit ....

Credit terms..

Comments..

Date...

Credit approved/ not approved

1 ....

ADVERTISING MANAGER

2 ....

FINANCE MANAGER