CHRISTIAN SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

EFFECT OF CREDIT POLICY AND DEBT COLLECTION OPERATIONS ON CUSTOMERS: A CASE STUDY ON CUSTOMERS AND STAFFS OF MULTICREDIT SAVINGS AND LOANS LIMITED

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DECLARATION

We hereby declare that this long essay for award of Bachelor's Degree in Business Administration is our own original study which contains no material published or previously presented by another person, nor material which has been accepted for award of any degree of this university or elsewhere.

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ABSTRACT

The purpose of the study was to examine and establish the effect of credit policy and debt collection performance on savings and loans companies. This study was also to contribute to ways in which proper policies will be put in place to manage creditors. From the analysis of our findings it came to light that, credit policy has a correlation with debt collection. The data used in this study were collected from 57 respondents. The sample was gathered from 25 staffs and 37 customers. Questionnaires and interviews were the instrument of obtaining information. The study was guided by the following questions: do customers always meet credit requirement?, does credit policy ensure that credit and debt collection staff work as a team?, does debt collection methods used effectively and efficiently? The findings reveal that; cash discount, collection procedure, credit payment period and skills of debt collection staff have positive impact on the management of debt collections. Efficient implementations of the above policies would help in the recovery of all debt advanced to various customers. It was also evidenced that all stakeholders play an important role in improving credit policy and debt management of Multicredit financial institution.

Based on the above findings, the following recommendations have been made: Multicredit policy on credit should ensure that; the credit and debt collection staff work as a team, must have excellent communication skills especially when identifying business risks and how to minimize bad debtors.

The credit policy that is to be redesigned should ensure operational consistency and that its functions like approving and verification of loans should be broken down into two units; one verifies and the other monitors the implementation of the loan agreement. It should also involve effective initiation, analysis, credit monitoring and evaluation.

Multicredit debt collection performance levels should be a guide on how to carefully screen new and old customers seeking credit and redesign strategies from past experience. This will help Multicredit to meet obligations as they fall due. Management should also use cash discounts to lure debtors pay on time to avoid the accumulation of debts.

There should also implement an effective credit policy in order to achieve high debt collection in terms of returns.

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We are greatly indebted to the attached supervisor Mr. Justice Paul Donkor who willingly provided academic guidance and lots of encouragement throughout the entire life cycle of this report, without whom, very little could have been achieved.

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We wish to thank all the lecturers of Christian Service University College whose knowledge and experience greatly played a role in as far as the success of this work was concerned. Above all to the almighty God, the creator, for all His protection and guidance in carrying out this work

DEDICATION

This research report is dedicated to our Parents, to Dr. Solomon Arhin (Head Of Department BBA) for the advice support, Dr. Marfo for his inspiration, Mr Justice Paul Donkor for his encouragement and guidance; this research work could not have come to a successful end without them.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

In order to increase debt collection, a credit policy must be to achieve the objectives of the organization. Credit policy is one of the important tools for effective and efficient management of debtors in an organization. It is one of the primary tools as well as a procedure established to provide management with reasonable assurance that the credit system is functioning as it should.

Pandey, (1995) regards credit policy as a set of policy actions designed to minimize the costs associated with credit while maximizing the benefits from it.

Pandey, (1997) assets that a firm's investment in accounts receivables depends on the volume of credit sales and collection period.For savings and loans bankers which holdlow levels of liquid assets, this management function is a key to its operation. Assets management policies and procedures are therefore central to the institution's overall performance and profitability. Internal control measures, good client selection process, strong institutional commitment and zero tolerance to loan delinquency are some of them.

Debt is define as a common law action for recovery of a certain specified sum of money held to be due or a sum that can be simply and certainly ascertained.

Pandey (1997) define debt as the amount which a firm can service easily under adverse conditions. It is the amount which a firm should employ and it's the right of the debt holder to receive periodic interest of payments usually with a specified time limit at a specified percentage of the debt face value.

Long term debts can be recovered beyond one financial year where as short term debts are recoverable in one financial year, and they include credit from suppliers and overdrafts.

According to Hunter, (1996), the credit transaction process involves activities which bring the credit institution and client into contact. This involves the loan officer gathering information from the potential borrower to decide whether the client's request is compatible with the policy of the institution; evaluation is concerned with the viability of the credit proposal of the applicant; negotiation focuses on issues like payment procedures and the general obligations of the client, documentation involves legal drafting of the contract spelling out the conditions which ensure that the client meets his or her obligations, providing risk protection and enabling legal action. Disbursement is the actual giving of the loan to the client in accordance with the agreed terms.

In savings and loans institutions, loans approvals are separated from risk management in order to reduce the risk of poor quality loans findings their way to the bank's books. The risk management department is strengthened by making regular monitoring and evaluation of the projects mandatory. Also where the clients are not trained in detail regarding the basic rules which govern the functioning of groups, developmental institutions based on group lending methodology will hardly register any degree of success.

1.1 Statement of the Problem

McCain, (1980) emphasized that debt collection management depends on an efficient credit policy used by the firm. Timely debt collections are made possible as timely realization of payments from debtors and also improve current position of the institution and financial reporting, investment in securities and meeting client's obligations. It is suspected that poor credit policy could be partly attributed to the fluctuations, thus registering decline in the debt collectionlevels.

To address this problem of fluctuations in debt collection situation and failure to investigate is why this work is been undertaken to find out why customers default in payment of their debt.

1.2 Purpose of the Study

This study sought to establish the relationship between the credit policy and Debt collection management in multicredit financial service ltd.

1.3 Objectives of the Study

- To identify the credit policy of multicredit.
- To ascertain the debt collection management system of multicredit financial service ltd.
- To establish the relationship between Credit policy and Debt collection management system in multicredit.
- To identify the effect of credit policy and debt management on customers.

1.4 Research Questions

- What is the nature of the credit policy used by multicredit?
- What are the debt collection management systems in multicredit?
- What is the relationship between credit policy and Debt collection management in multicredit?
- What are the effects of credit policy and debt management on customers?

1.5 Scope of the Study

- **Content Scope**

The research work focuses on the elements of credit policy such as credit standards. Credit management, customer analysis, and credit limits.

- **Geographical Scope**

The study is undertaken in Kumasi office of multicredit financial service, Bantama high street branch. The place is chosen because of convenience, cost and accessibility.

- **Time Scope**

The study will cover a period between January to May 2015. This period is considered because academic work demands that students undertake research work at the end of the four year period of study and submit their report within this timeline.

1.6 Significance of the Study

- The study findings will be available for the students to read about credit policy in financial institutions as the study intends to bring out the effectiveness of a credit policy to debtors management and specifically to debtors collection.
- The study findings will be important to management through improving its credit policy in order to improve on its debt collection, financial reporting and profit maximization.
- The findings will enable other financial institutions to updates their knowledge on the need to tailor their credit policy towards their customer's needs.
- The findings will be useful to other researchers in future for further research in related areas and the results of the study will be added to the existing literature for reference by scholars, researchers, firms and other parties interested in the subject

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is a critical revision of the issues that have been explored and studied both theoretically and empirically in the existing literature on credit policy as the independent variable and debt collection as the dependent variable.

2.2 Credit Policy

McNaughton, (1996) define a credit policy as a set of guidelines designed to minimize costs associated with credit while maximizing the benefits from it. He also notes that a good credit policy should be one that ensures operational consistency and adherence to uniform and sound practices. A good credit policy should involve effective initiative, analysis, credit monitoring and evaluation. Credit is borrowed funds with specified terms for repayment. When there are insufficient accumulated savings to finance a business and when the return on borrowed funds exceeds the interest rate charged on the loan, it makes sense to borrow rather than postpone the business assuming the capacity to service the debt exists (Waterfield and Duval 1996).

2.3 Credit Policy Management and Accounts Receivables

According to Pandey IM, (1979), a firm's investment in accounts receivables depend on the volume of credit sales and collection period. Credit policy is used to refer to the combination of the three decision variables as credit standards, credit terms and collection efforts. He again states that there is only one way in which the financial manager can affect the volume of credit sales and collection period and consequently, investment in accounts receivables and this is through a credit policy.

2.4 Credit Policy Variables

2.4.1 Credit Standards

These are the criteria, which the firm follows in selecting customers for credit extension (BPP 2000). This is a very fundamental credit policy variable that requires intensive analysis. According to Pandey, (1995), a credit standard is one of the controllable decision variables that directly influence investment in trade credit. Graham, (1990) emphasized that individual accounts of credit applicants need a great deal of scrutiny and that, for this reason, it's important that standards be set based on the individual credit applicants. Gitman, (1982) argues that credit standards provide guidelines for determining whether to extend credit to a customer and how much credit should be extended. Kakuru,(2001) noted that it is important that credit standards be set basing on individual credit applicants by considering credit information, credit analysis, credit limits and default rate.

2.4.2 Credit Information

Otero, (1994) reliable and timely information is critical in managing the credit process. The availability of useful information enables management to be better equipped to direct and prudently control credit processes. Sufficient information should be collected from the customer before extending any credit to them. This is to minimize losses. This is a means of establishing ability and willingness of the beneficiary to meet payment obligations as they fall due. Credit analysis is an important aspect in designing a credit policy since it culminates into the reasons regarding the amount of loan granted to the applicants.

2.4.3 Credit limit

This is the maximum amount of credit, which, the firm can extend to customers at any point in time. As this limit is decided, the analysis should carefully scrutinize the amount of contemplated sales and the customer's financial strength. There is the need to lower the amount of credit where slow pay tendencies crop up.

2.4.4 Average Collection Period (ACP)

It refers to that period in which debts collection remain uncontrollable. It measures the number of days for which a credit transaction remains outstanding and thus determines the speed of payment by customers, (Pandey 1998).

2.4.5 Default Rate

This is the measure of the portion of the uncontrollable receivables that is bad debts loss ratio. This ratio indicates the default risk; that is the unlikelihood that customers will fail to pay their credit obligation, Pandey, (1995). Basing on experience, the financial manager should be able to make a reasonable judgment using Pandas' (1993) 5 C's which measures the parameter in setting credit standards. The availability of collateral is meansto help the bank to take security in granting loan. Such security should be safe and marketable. This may include land titles,houses, balances on savings and guarantees.

2.4.6 Evaluating the Credit Applicant

Having established the terms of credit to be offered, the firm must evaluate individual credit applicants and consider the possibilities of bad debts losses or slow payment. The credit evaluation procedure involves; collecting credit information, analyzing this information; that is credit investigation and analysis and finally make the credit decision.

2.4.7 Collecting Credit Information

In order to minimize losses, further checks should be conducted on unrecoverable credits. Sources of such information include; banks, companies, associated competitors, suppliers and individuals applicants. Kakuru, (2001) argues that collection of such information is not free but this cost is worth incurring.

2.4.8 Credit Investigation and Analysis

This involves analyzing the credit information collected to determine the applicant's credit worthiness. Such analysis is based on previous records. This helps the analysis to draw conclusion on the applicant's financial strengths, quality of management and the nature of the customers. This is an important aspect of designing a credit policy since it results into decisions about a credit limit to be granted to an individual applicant.

2.4.9 Making the Credit Decision

This establishes whether the credit should be given and how much should be extended.

2.5 Prime Factors in Designing a Credit Policy

Financial institutions should try and establish their own unique credit policy. This is because, what works for one firm well will not essentially work for the other thus the need to follow prime factor while designing a credit policy. The economies, customers mix, stability of trade and growth element in the area are the internal prime factors that have to be looked at in designing credit policy.

2.5 Constraints in Managing Credit

There are various constraints involved in managing credit. In order to succeed in managing these constraints, credit firms must recognize the responsibility to the members. Sustainability should be their main aim. McLord, (1998) observes that challenges can be managed by charging interest rates that cover costs; thus growing to serve high volumes of members and constantly relieving operating and financial costs. This requires a business attitude irrespective of whether the firm is non-government/government/private firm.

2.6 Debt Collection Management System

2.6.1 Definition of Debt

Debt is define as a common law action for recovery of a certain specified sum of money held to be due or sum that can be simply and certainly ascertained. Prasana, (1997) define debt as a consisting issue of loans that require a future payment of money as well as periodic interest payment during its life. It is the right of the debt holding to receive periodic interest of payment usually with a specified time limit at a specified percent of debt face value. Long – term debts can be recovered beyond one financial year and they include credit from suppliers and overdraft.

2.6.2 Factors to Consider for Decision

According to Kakuru, (2000), a firm can increase or decrease the overall costs of capital by increasing the proportion of the debts in capital structure. Brockinston, (1987) facts about the challenges of the financial manager are; determining acceptable level of debt to ensure that the firm operates profitably and manage to finance its operations while servicing the debt. The problem of designing a debt management procedure that can allow effective debt operation is also seen as one of the levels of the firm achievements. Markevitz, (1995) says that the more debt employed in a firm, the more leveraged it's said to be vice versa.

2.6.3 Sources of Debts

Much emphasis is placed on debts that attract much interest, and repayment of the due principal. They include bank credit, money market based credit debentures, overdraft facilities, transaction loans, factoring of debtors and invoice discounting, loans from individuals and disposals of assets on occasions, ordinary share capital, stock exchange, lease financing and long-term loans, Kakuru, (2000).

2.6.4 Consequences of Poorly Managed Debts/Collection Effort

The major effect is attached to the firm's performance and even it fail to meet its obligations as they fall due. It also leads to the creation of floating charges on the firms' assets. Bankers do not consider debt management as a reason for business failure but they consider the following as causes of business failure.

2.6.5 Financial and Management Accounting and Profitability

Ignorance about the market and underpricing of goods: Erosion of margins for the key procedures, over reliance on one customer, over reliance on one product, excessive overheads, poor working capital management.

2.6.6 Bad Debts

Bad debt is poor screening of new customers, poor debt collection procedures, giving much debt; debtors providing collateral securities for loans that are partly secure.

2.6.7 Product Quality

Product quality is lack of skilled personnel, poor design of products, and quality of products and poor management of products.

2.6.8 Techniques of Managing Debts

Barley and Myres, (1998) suggested debt capacity as the major technique of debt management. This is the amount a firm can give out. Even under adverse condition to them borrowing is not bad as you can manage to service your debts.

Irvin, (1966) suggests that an organization should not exploit its debt capacity fully. If it does, then it losses flexibility. If there is flexibility, the firm maintains reserve borrowing power to enable it raise debt capital, fund unforeseen changes like recessionary conditions in the market place, decline in production caused by power shortage and labour unrest in completion and emergence of the profitable opportunities

2.6.9 Factors that may affect Internal Control of Debtors

The treasury statement of best practice on internal control and internal audit issued(June 1995), states the two factors; pressure to overstate cash and debtors or understate the provision for bad debts in order to report a higher level of working capital in the face of liquidity problems or going concern doubts and use of sales adjustments transaction to conceal thefts of cash received from customers by overstating discounts, recording fictitious sales returns or writing off customers' balances as uncollectible.

Brealgy, et al, (1995) puts forward five steps of dealing with debtors. First and foremost by establishing the normal terms of sales, in that you must decide on the length of the payment period. Secondly, the need to decide the form of contract with your customer. Thirdly to assess each customer's credit worthiness and this especially depends on your personal experience and available source of information from your customers. Fourthly establish sensible credit terms after assessing your customer standing credit. Finally, you must collect, this requires tactic and judgment.

2.7 Debt Collection

According to Mannasseh Tumuhimbise, (1997), state that financial executive is like a pilot who reads warning signal flashes on the instrument panel, must have a reporting device to monitor the collection experience. Collection experience is defined by Lewellen and Johnson, (1980) as the chronological pattern to which, the receivables created during a given interval are converted into cash.

2.8 Monitoring of Accounts Receivables

According to Manasseh and Tumuhimbise, (1997), in his publication of known approaches used by management to monitor accounts receivables include;

2.8.1 Percentage of Collection Report

This technique show what percentage of customers' balances at the beginning of the period is collected during the period. Lewellen and Johnson, (1972), argue that the technique is sensitive to the sales pattern and the sales averaging period selected.

2.8.2 Customer

For bank, a customer is a person who is utilizing one or more of the services provided by the bank. A customer is a person through whom the bank gets an opportunity to make earnings in return to the service they can provide the customer with.

2.9 Relationship between Credit Policy and Debt Collection

According to Meigs et al, (1988), credit policy was developed primarily in terms of credit sales activities of manufacturing companies, in that when company controls over on accounts are inadequate, large credit losses are almost inevitable. Sales transactions and receivables from customers are closely related that the two can best be considered jointly in a discussion of credit objectives and procedures. They further state the principal objectives of credit controllers in their examination of receivables and sales as to determine, adequacy of credit control for sales transaction and receivables validity or genuine of the group of assets, accuracy of the year end cut-off sales and collections, the propriety of disclosure and classification of receivables in the balance sheet, including pledging of receivables and any related party transaction.

Therefore they further give the relationship by the sales and collection cycle which assist the receiving of orders from customers, the delivery and billing of merchandize to customers and the recording and collection of accounts receivables.

According to Ricchiute N. David, (1982), the relationship between effectiveness of credit policy and the extent of detailed procedures on accounts receivables is that, as more effective systems require less detailed credit structures and thus compliance regulations. They are both potentially powerful and cost effective and as a result are used frequently.

McCain, (1980), emphasized that debt collection performance depends on an efficient credit policy used by the firm. Timely debt collections are made possible as timely realization of payments from debtors and also improve current position of the institution and financial reporting, investment in securities and meeting clients' obligation.

Pandey, (1995), asserts that as firm is required to analyze and supervise a larger number of accounts when it loosens its credit policy. Similarly it will have to intensify the collection efforts to be able to collect outstanding bills from financially less sound customers. As Samuels et al, (1989), concludes that the monitoring and follow up procedures on slow payments are also a principal causes of accounts receivables accumulation.

Van Horns, (1994), states that accounts receivables perspective emphasizes two main variables that is revenue and liquidity in a credit policy, and contends that curriculum between the two is bankers' dilemmaof liability and asset management which is focused on maintaining balanced and institutional performance.

In conclusion, for a firm to be proficient to increase on sales volume, it should offer credit to its customers. However, offering of credit exposes the business to the risk of bad debts and losses. This can be reduced by establishing a good optimum credit policy. The investment in accounts receivable depend on the volume of credit sales, and collection period, therefore the investment in accounts receivables may be expressed in terms of costs instead of sales value. The percentage of credit sales is influenced by the nature of business and industry norms.

2.10 Conclusion

Most scholars have study into credit policy but little has been done on analyzing the relationship between credit policy and debt collection performance in savings and loan institutions. A credit policy forms part of a larger business system and other cash systems.

This relationship is most important because, most are now running on commercial principles rather than as relief, their clients must know from the onset that he or she has to pay up the money borrowed or risk the undesirable consequences of defaulting. This must be understood against what used to happen when a monetary grant or donation was given with no intention of paying back.

Therefore savings and loan institution have to teach their clients with lending procedures to change their attitude and give all the necessary loan – related advice on training and follow up on their clients as a way of monitoring performance rather than leaving them to take the initiative to pay as and when they wish.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the whole research design, population and its profile, sampling and sampling technique, the instrument used in gathering data, data analysis procedure as well as the limitations encountered during the study.

3.1 Research Design

The study comprises using both qualitative and quantitative research sited around credit policy and debt collection management on customers. The techniques were designed in a manner that would best enhance speedy collection of significant data. Data was systematically done and presented to give exploratory analysis to particular phenomena with detailed coverageof the degree of the problem.

3.2 Population of Study

In the opinion of Agyedu, Donkor and Obeng (1999), population of a study refers to a complete set of individuals (subject), object or events having common observable characteristics in which the researcher is interested. They further strained that; population constitutes the target of a study and must be clearly defined and identified. The target population was customers and the staffs of multicredit savings and loans limited Bantama branch in the Ashanti Region of Ghana.

3.3 Sample Design

The two main methods employed in sample selection from the population were Simple random and purposive sampling method.

Purposive sampling technique was used to select the respondents from the staffs due to the fact that, they have requisite information about the issues involved in the study. Simple random sampling was used for the customers.

3.4 Sample Size

The data was collected from a total of 57respondents from customers and the staffs of multicredit savings and loans limited who among others were the management and employees from different departments and clients who were chosen for the study. Out of these thirty-two (32) were customers and twenty-five(25) staff of multicredit savings and loans limited. These sample sizes were taken with consideration of time constraints, convenience and findings among others. To avoid bias, gender equality was considered.

3.5 Data Sources

The two main data sources include;

Primary Data which was gathered were from selected respondents by the use of self-administered questionnaires and interviews (face-face and telephone). The staffs were from finance department and marketing personnel's. The self-administered questionnaire helped in preventing questionnaires not been fully filled.

Recognized literature like publications, internet sources, journals and reports on credit policy and debt collection managementwere the other sources of secondary data gathered and organized.

3.6 Data Collection Instrument

- **Questionnaire**

  Comprehensive self-administered questionnaires were the main instrument in the study. Open ended questionnaires were used to let the respondents give their own opinion about the research.

- **Interview**

  Both formal and informal interviews were conducted where the respondent interviewed involved management and staff of multicredit saving and loans limited.

3.7 Data Processing

Several methods were used to process the data after its collection. The data was thoroughly checked to ensure the completion of the procedure. To improve on its relevance and accuracy, it wascompiled, sorted, classified and coded.

3.8 Data Analysis

The data was analyzed using SPSS and Microsoft Excel. Since the study is quantitative in nature and to ease the interpretation, the findings were presented in simple descriptive statistics involving some tables and charts to clearly come up with the relationship between credit policy and debt collection management of multicredit savings and loans limited.

3.9 Limitations during the Study

The problems encountered included:

- Misrepresentation of the research. The thinking that, this work is meant to steal trade secrets or spy on the institution. This was overcome by explaining that, the research work is purely for academic purposes.

- Finding literature on this research topic was difficult. This difficulty was overcome by extensive review of past data.
- Time constraints. Combing this research work and other private programs was stressful. This was overcome by having a well stipulated time table for the research.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.0 Introduction

This chapter presents an analysis of data collected. It considers the selected responses to the objectives of the study as well as the various research questions presented at the early stages of the research and also some relevant variables considered in the study. Fifty -seven (57) questionnaires were sent out to the customers and the staffs of multicredit savings and loans limited for the purpose of obtaining information relevant to credit policy and debt collection management.

4.1 Research Result Analysis

The study used SPSS and Excel in analyzing the data collected. Pictorial graphs and tables display the frequencies of the responses. The representation of data was done using charts and tables.

The general data with regards to credit policy and debt collection management covers the gender response, age, marital status, educational background and length of service.

4.2 Demographics

4.2.1 Gender

Findings on gender and response rate as regards credit policy and debt collection performance on customers in Multicredit savings and loans limited of both staff and customers.

Table1:Showing gender and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Table 1

Gender		Frequency	Percent	Cumulative Percent
	MALE	16	50.0	50.0
	FEMALE	16	50.0	100.0
	Total	32	100.0	

Source: Authors field study May 2015

The table 1. Shows that sixteen (16) female were involved and that represent 50% and sixteen (16) male were involved representing 50%. This implies that, there are equal number of gender respondent of customers on multicredit savings and loans limited.

4.2.2 Marital Status

Findings on marital status and response rate as regards credit policy and debt collection performance on customers in Multicredit savings and loans limited.

Table 2: Showing on marital status and response rate as regards credit policy and debt collection performance on customers in Multicredit savings and loans limited.

Table 2

Marital status		Frequency	Percent	Cumulative Percent
	SINGLE	15	46.9	48.4
	MARRIED	16	50.0	100.0
	Total	31	96.9	
		1	3.1	
Total		32	100.0	

Source: Authors field study May 2015

The table 2.Shows that fifteen (15) single were involved and that represent 46.9% and sixteen (16) married were involved representing 50 and one (1) unanswered question representing 3.1 %. This implies that more married customers dominated customers of Multicredit saving and loans limited.

4.2.3 Age

Findings on age limit and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Table 3: Showing on marital status and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Table 3

Age	Frequency	Percent	Cumulative Percent
20-30	12	37.5	37.5
31-40	18	56.2	93.8
41-50	2	6.2	100.0
Total	32	100.0	

Source: Authors field study May 2015

Table 3 shows that eighteen (18) were from the ages between 31-40 representing 56%, twelve (12) between 20-31 representing 37.5%, two (2) between the age of 41-50 representing 6.2%. This implies that, the ages 31-40 dominated the customers of Multicredit saving and loans limited.

4.2.4 Level of Education

Findings on level of education and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Table 4: Showing level of education and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Qualification	Frequency	Percent	Cumulative Percent
CERTIFICATE	3	9.4	9.4
HND	15	46.9	46.9
DEGREE	10	31.2	31.2
OTHERS	4	12.5	12.5
Total	32	100.0	100.0

Source: Authors field study May 2015

Table 4 shows that three (3) workers with Certificate were involved, representing 9.4%, fifteen (15) with HND representing 46.9%, ten (10) with Degree were involved representing 31.2% and four (4) with others representing 12.5.0%. This implies that there are various educational levels group employed in Multicredit saving and loans limited but those with HND dominating.

4.2.5 Length of Service

Findings on length of service of staffs and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Table 5: showing the length of doing business and response rate as regards credit policy and debt collection performance in Multicredit savings and loans limited.

Length of service	Frequency	Percent	Cumulative Percent
1-2	5	15.6	16.1
3-4	16	50.0	67.7
5-10	10	31.2	100.0
Total	31	96.9	
	1	3.1	
Total	32	100.0	

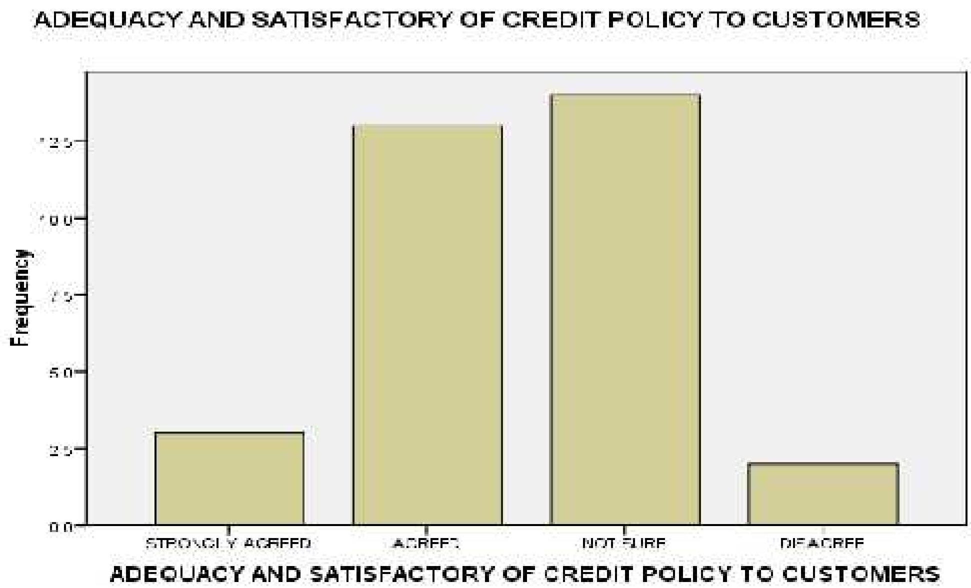
Source: Authors field study May 2015

The table 5 shows that on the length of doing business five (5) responses were involved representing 15.6%, sixteen (16) representing 50%, ten (10) were involved representing 31% and one (1) representing 3.1%. This implies that customers with 3-4 years were more compared to other employees in Multicredit saving and loans limited

4.3 Adequacy and Satisfactory of Credit Policy to Customers

Findings on credit period adequate and satisfactory to customer in Multicredit savings and loans limited. Graph showing on credit period adequacy and satisfaction to customers in Multicredit savings and loans limited.

Bar chart 1 shows three (3) respondents strongly agree on credit period adequacy and satisfaction to customer were involved representing 9.4%, thirteen (13) representing 40.6% agreed, fourteen (14) not sure were involved representing 43.8% and two (2) representing 6.2%. This implies that, customers are not sure as to credit period adequate and satisfactory to them in Multicredit saving and loans limited.

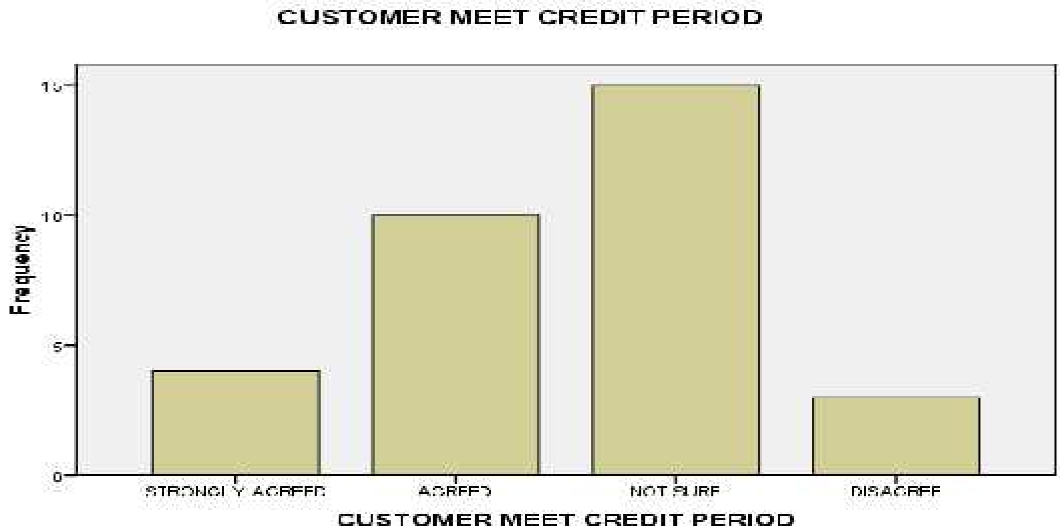


Source: Authors field study May 2015

4.3.1 Do Customers meet Credit Period?

Graph findings on customers able to meet credit period in Multicredit savings and loans limited. Graph 7 showing whether customers are able to meet credit periodin Multicredit savings and loans limited.

Graph 2 shows four (4) responses on credit period were involved representing 12.5%, ten (10) representing 31.2%, fifteen (15) were involved representing 46.9% and three (3) representing 9.4%. This implies that, customers agree of inadequacy of credit period in Multicredit saving and loans limited.



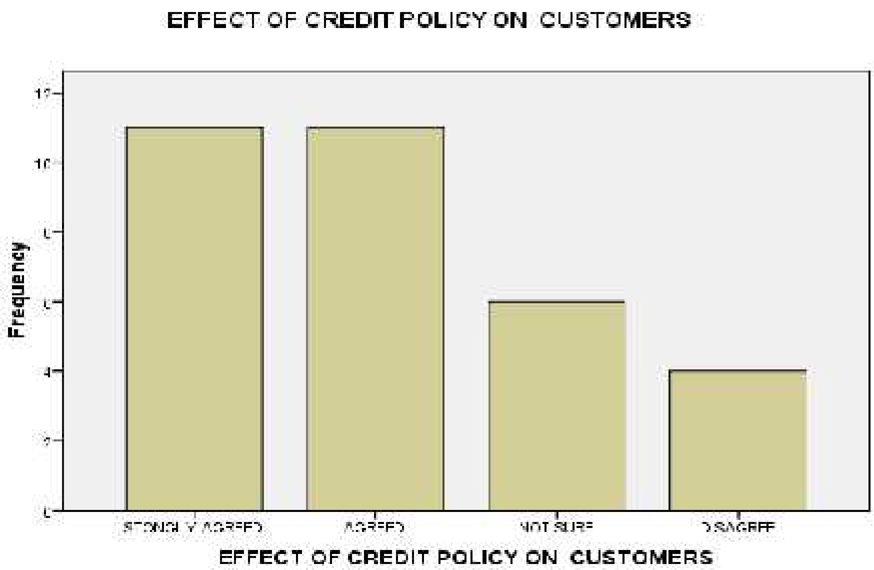
Source: Authors field study May 2015

4.3.2 Effect of Credit Policy on Customers

Findings on the effect of credit policy on customers in Multicredit savings and loans limited.

Graph 8 Showing whether credit policy has any effect on customers in Multicredit savings and loans limited.

This graph shows eleven (11) responses strongly agreed that credit policy have strong effect on credit policy representing 12.5%, ten (10) representing 31.2%, fifteen (15) were involved representing 46.9% and three (3) representing 9.4%. This implies that, customers agree of inadequacy of credit period in Multicredit saving and loans limited.



Source: Authors field study May 2015

4.3.3 Cash Discount Encourages Customers to Pay Regularly

Findings on the cash discount encouraging customers to pay regularly in Multicredit savings and loans limited. Graph showing whether cash discount encourages customers to pay regularly in Multicredit savings and loans limited.

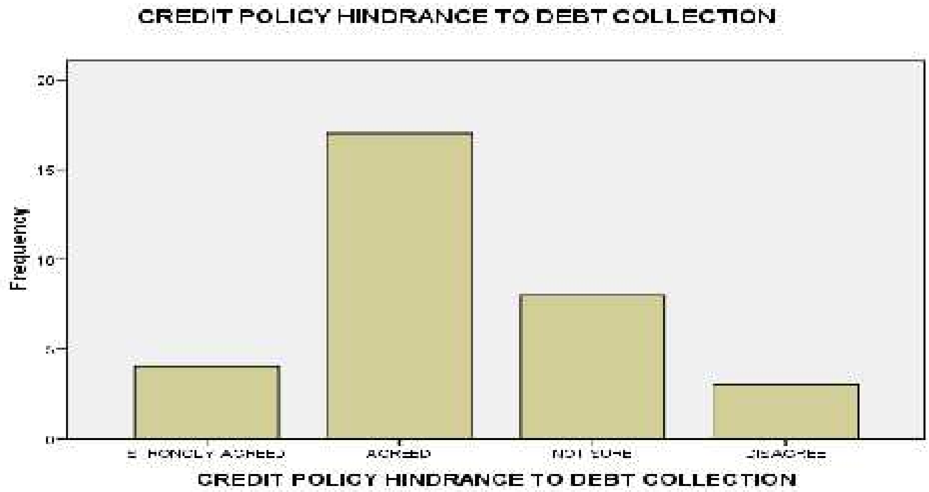
This graph shows three (3) responses strongly agreed that cash discount really encourages customers to pay regularly and this number represent 9.4%, twenty (20) representing 62.5%, seven (7) were involved representing 21.9%. This implies that, majority of the customers think that, cash discount encourages customers to pay their debt regularly in Multicredit saving and loans limited.

Source: Authors field study May 2015

4.3.4 Skills of Collection Staff

Findings on the credit policy hindrance to debt collection in Multicredit savings and loans limited. Graph10 Showing whether credit policy hindrance to debt collection in Multicredit savings and loans limited.

This graph shows four (4) responses strongly agreed that credit policy is a hindrance to debt collection and this number represent 12.5%, seventeen (17) representing 53.1%, eight (8) were involved representing 25.%, and three (3) representing 9.4%. This implies that, more customers agreed that credit policy is a hindrance to debt collection in Multicredit saving and loans limited.



Source: Authors field study May 2015

4.3.5 Collection Procedure Adequate and Satisfactory

Findings on role of skillful staff on debt collection performance in Multicredit savings and loans limited. Graph 11.Showing whether the skills of the staff plays a role on debt collection in Multicredit savings and loans limited.

This graph shows four (4) responses strongly agreed that credit policy is a hindrance to debt collection and this number represent 12.5%, fourteen (14) representing 43.8%, fourteen (14) were involved representing 43.8%. This implies that, more skillful staff contributeenormouslyto debt collection in Multicredit saving and loans limited.

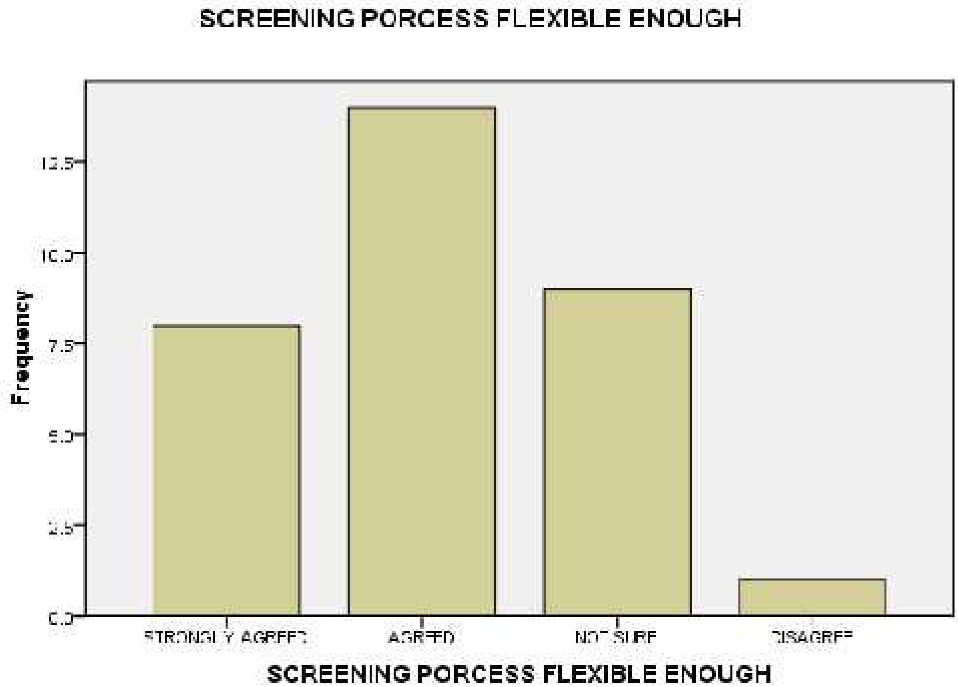
Source: Authors field study May 2015

4.3.6 Flexibility of Screening Process

Findings on the screening process of customers in Multicredit savings and loans limited.

This bar chart shows the screening process of customers in Multicredit savings and loans limited.

The data shows eight (8) responses strongly agreed that collection procedure adequacy and satisfactory to credit policy and this number represent 25.0%, fourteen (14) representing 43.8%, nine (9) were involved representing 28.1% and one (1) representing 3.1 %. This implies that, more customers agreed that screening process is not flexible and some too are not sure of the process flexibility in Multicredit saving and loans limited.



Source: Authors field study May 2015

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter is to discuss the analysis done in chapter four, draw conclusions and make recommendations. It also summarizes the limitations encountered and the way forward for further research to be done on this literature.

5.1 Summary of Findings with Regards to the Study Objectives

The principal purpose of the study was to investigate into credit policy and debt collection systemson customers of Multicredit savings and loans limited. From the analysis of our findings it came to light that, credit policy has a correlation with debt collection. The findings reveal that; cash discount, collection procedure, credit payment period and skills of debt collection staff has positive impact on the management of debt collections. Efficient implementations of the above policies would help in the recovery of all debt advanced to various customers.

It also evidence that all stakeholders play an important role in improving credit policy and debt management of multicredit financial institution.

5.2 Findings on the Credit Policy Multicredit Uses

Management of Multicredit should ensure that the credit and debt collection staff work as a team, excellent liaison and communication skills especially when identifying business risks and how to minimize bad debtors.

The credit policy that is to be redesigned should ensure operational consistency, thus functions like approving and verification of loans should be broken down into two that is one verifies and another monitors the implementation of the loan agreement. It should also involve effective initiation, analysis, credit monitoringand evaluation.

- **Findings on Multicredit Financial Debt Collection Management System on Customers**

The collection management system is not followed precisely. This was due to customers not honouring their obligations of paying back. This results due to weak inspection of the approved projects in the field to ensure that the money was being spent according to the loan agreement.

It was also noted that collection staff was inadequate. This shows that lesser efforts were put towards debt collection. Low collection levels impacts on the poor performance of the developmental institution.

- **Findings Relationship between Credit Policy and Debt Collection Management System**

The study confirmed a strong positive relationship between credit policy and debt collection management system in multicredit. The existence of an effective credit policy and debt collection management system, the higher the debt collection performance levels. This was tested using the findings on the table presented.

- **Findings on Effect of Credit Policy and Debt Collection Management System on Customers of Multicredit Savings and Loans Limited.**

In the study we discover that, there is a correlation between credit policy and debt collection. The credit policy has to beredesigned to ensure that there is a stakeholder'sconsultation to enable smooth flow of operations. It should also involve effective initiation, analysis, credit monitoring and evaluation.

5.3 Recommendations

The procedures in the previous chapter have laid a firm foundation upon which recommendations can be drawn from the study in light of the study objectives.

- Credit policy that multicredit use should ensure that the credit and debt collection staff work as a team, excellent liaison and communication skills especially when identifying business risks and how to minimize bad debtors.The credit policy that is to be redesigned should ensure operational consistency that is functions like approving and verification of loans should be broken down into two thus; one verifies and another monitors the implementation of the loan agreement. It should also involve effective initiation, analysis, credit monitoring and evaluation.
- Multicredit debt collection performance levels Management should carefully screen new and old customers seeking credit and redesign strategies due to past experience. This will help multicredit to meet obligations as they fall due. Management should also use cash discounts to lure debtors pay on time to avoid accumulated debts in millions of Ghana cedis.
- Relationship between credit policy and debt collection performance in multicredit, management of multicredit should implement an effective credit policy in order to achieve high debt collection in terms of returns.

5.4 Suggestions for Further Research

The study did not exhaust all possible variables that affect credit policy and debt collection operationthus; more investigation should be conducted in the following variable ladder.

- Credit policy and profitability
- Service quality and debt collection management systems

- Customers' ability to pay and debt collection performance
- Micro Economics instability and destruction performance

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APPENDIX

QUESTIONNAIRE

CHRISTIAN SERVICE UNIVERSITY COLLEGE

This questionnaire is designed purely for academic purposes. It is to solicit respondent's views on how credit policy and debt collection performance affect performances on financial institutions. Responses provided shall be treated with confidentiality.

1) Gender Male { } Female { }

2) Marital Status Single{ } Married { } Divorced { }

3) Age 20-30 { }31-40 { } 41-50 { } Above 50 { }

4) Educational level. Certificate { } HND { } Degree { } Others { }

5) Length of service in Multicredit Savings and Loans limited 1-2 { } 3-4 { }

5-10 { } 11 above { }

PLEASE CIRCLE OR TICK WHERE APPROPRIATE	STRONGLY AGREE	AGREE	NOT SURE	DISAGREE
6) Does your financial institution extend credit to you?				
7) Do they have any credit standards in place that are applicable and always followed?				
8) Does Multicredit apply credit period, credit limit, cash discount before advancing credit to its customers?				
9) Are credit terms set jointly by board members and management?				
10) Is credit period adequate and satisfactory to all customers?				
11) Do the customers always meet the credit period set for them?				
12) Does credit policy affect cost by collecting performance?				
13) Does credit policy affect cost by collecting debts?				
14) Does credit policy ensures that the institution maintains adequate reserves in				

its pool in order to provide efficient, prompt and fair claims settlement and hence a surplus funds for investment?				
15) Does credit policy ensure that credit and debt collection staff work as a team?				
16) Does credit policy ensures that long and short term debt can be recovered beyond one financial year?				
17) Does credit policy followed the debt management procedures and allows effective debt operations?				
18) Does the company have procedures in place to follow upon Accounts receivable?				
19) Does debt collection methods used efficiently and effectively?				
20) Does cash discount by the institution encourages customers to pay regularly and speed up collection of debt?				
21) Do you use external collection effort when internal collection effort fails?				
22) Is credit policy the main hindrance during debt collection?				
23) Do you have highly skilled staff in debt collection and is their performance satisfactory and adequate?				
24) Is your collection procedure adequate and satisfactory to internal standards of debt management?				
25) Does the debt collection staff receive training both on and off the job on how to manage debt and its relationship on credit management?				
26) Are old and new customers seeking credit carefully screened and strategies redesign due to past experience?				
27) Is debt collection performance dependent on credit policy				
28) Does collection policy consider timely realization from debtors?				
29) Do you consider debt capacity as a major technique for debt management?				
30) Do you have in place an investment policy that is adequate and satisfactory to all customers and staff?				