

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**



**THE IMPACT OF ACCOUNTS RECEIVABLES COLLECTION STRATEGIES ON FINANCIAL  
PERFORMANCE OF LOCAL AUTHORITIES. A CASE STUDY OF MAZOWE RURAL  
DISTRICT COUNCIL**

**BY**

**B203073B**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
THE BACHELOR OF ACCOUNTANCY HONOURS DEGREE OF BINDURA UNIVERSITY OF  
SCIENCE EDUCATION. FACULTY OF COMMERCE**

**JUNE 2024**



### Approval form

Dissertation Title: The impact of accounts receivable collection strategies on the financial performances of local authorities. A case study of Mazowe Rural District Council.

#### 1. To be completed by the student

I certify that this dissertation meets the preparation guidelines as presented in the Faculty Guide and Instructions for Typing Dissertations.


Signature of student.....



Date:.....16/10/2024.....

#### 2. To be completed by supervisor:

This dissertation is suitable for submission to the faculty. This dissertation should be checked for conformity with the Faculty Guidelines.

Signature of supervisor.....

Date.....16/10/2024.....

#### 3. To be completed by the chair of the department:

I certify, to the best of my knowledge, that the required procedures have been followed and the preparation criteria have been met for this dissertation.

Signature of chair.....

Date.....16/10/2024.....

## RELEASE FORM

**Registration number** B203073B

**Project title** Impact of accounts receivables collection strategies on the  
financial performance of local authorities.

**Degree title** Bachelor of Accountancy (Honors) Degree

**Date** .....

The author does hereby grant the Library of Bindura University of Science Education permission to produce copies of this project for scientific research and scholarly research only. Without the author's written consent, no other publication rights are reserved by the author, and the dissertation cannot be extensively excerpted or otherwise reproduced.

**Signature of Student** ..........

**Date Signed**.....16/10/2024.....

**Permanent Address** House number 338 Brookdale, Bindura

## DEDICATION

I dedicate this dissertation to God Almighty, for without His divine guidance and blessings, nothing would be possible. I also dedicate this work to my siblings and friends, who have provided unwavering support throughout my academic journey.

Most importantly, I dedicate this dissertation to my parents, who gave me the precious opportunity to pursue tertiary-level education and instilled in me the values of hard work and morality. It is through their sacrifices and encouragement that I have been able to reach this significant milestone.

This dissertation is a testament to the love, support, and inspiration that I have received from my family, friends, and the Almighty. It is my sincere hope that this work will honor their contributions and make them proud.

## **ABSTRACT**

The primary focus of this study was to examine the impact of accounts receivable collection strategies on the financial performance of MRDC. The organization is owed millions of dollars by a diverse range of customers, including residents, commercial businesses, farmers, miners, clinics, and hospitals. The research utilized a descriptive approach, collecting data from a sample of 6 MRDC cost centers through interviews and questionnaires. The data was analyzed using SPSS version 21 software. The key findings include the receivables collection strategies that are effective in improving MRDC's financial performance. The most effective strategies were court-ordered collections and the efforts of the internal accounts receivable team. The greatest challenge faced by MRDC's cost centers was the non-payment of court fees, which hindered the effectiveness of the legal collection approach. There is a clear relationship between the implementation of collection strategies and MRDC's financial performance. The researcher concludes that MRDC should invest in training its collection team to develop specialized skills for debt recovery in various economic conditions. Additionally, the collection strategies should be tailored to accommodate customers with both large and small outstanding balances. The study recommends that MRDC develop robust internal control systems to support the collection team's efforts, as well as provide specialized training to equip the team with the necessary skills for collecting debts in different economic environments.

## **ACKNOWLEDGEMENT**

Firstly, I would like to express my profound gratitude to God, the Almighty Creator, for granting me the courage, good health, and clarity of mind to complete this study.

Secondly, I am deeply indebted to my supervisor, for his invaluable guidance and instruction throughout this research project. His mentorship and inspiration have been instrumental to my success.

Thirdly, I extend my heartfelt appreciation to my parents who had the foresight to make the necessary sacrifices to support and educate me. I also want to thank my aunt and my friends for their encouragement and support during the data collection process.

Overall, I am grateful to all those who have contributed, in one way or another, to the successful completion of this study.

## Table of Contents

Approval form.....	i
RELEASE FORM.....	ii
DEDICATION.....	iii
ABSTRACT.....	iv
ACKNOWLEDGEMENT.....	v
LIST OF TABLES.....	x
LIST OF FIGURES.....	xi
<b>LIST OF ABBREVIATIONS AND ACCRONYMS.....</b>	<b>xii</b>
1.0 Introduction.....	1
1.1 Background to the study.....	1
1.2 Problem statement.....	3
1.3 Research Objectives.....	3
1.4 Research questions.....	4
1.5 Hypothesis testing.....	4
1.6 Significance of study.....	4
1.7 Limitations of the study.....	5
1.8 Delimitations.....	5
1.9 Definition of key terms.....	5
1.10 Assumptions.....	5
1.11 Chapter Summary.....	6
2.1 Introduction.....	7
2.2 Theoretical review.....	7
2.2.1 Cash Conversion Cycle (CCC) Theory/Working Capital Management.....	7
2.2.2 Stakeholder theory.....	8
2.2.3 Debt Maturity Theory.....	9
2.3 Operationalization of terms.....	10
2.3.1 Accounts receivables.....	10
2.3.2 Financial Performance.....	11
2.4 Conceptual Framework.....	12
2.4 Empirical Review.....	13
2.4.1 Accounts Receivables Collection Strategies.....	13



2.4.2 Collection through Courts.....	14
2.4.2.1 Effectiveness of collection through courts strategy.....	15
2.4.2.2 Challenges of collection through courts strategy.....	15
2.4.3 Payment Plan Strategy.....	15
2.4.3.1 Effectiveness of payment plan accounts receivable strategy.....	15
2.4.3.2 Challenges of payment plan accounts receivable collection strategy.....	16
2.4.4 Proactive Accounts Receivable Collection Strategies.....	16
2.4.4.1 Effectiveness of proactive accounts receivable strategy.....	16
2.4.4.2 Challenges of proactive accounts receivable collection strategy.....	17
2.4.5 Internal accounts receivable collection team strategy.....	17
2.4.5.1 Effectiveness of internal accounts receivable collection team.....	18
2.4.5.2 Challenges of internal accounts receivable team accounts receivable collection.....	18
2.4.6 Invoicing and follow-up account receivable collection strategy.....	18
2.4.6.1 Effectiveness of invoicing and follow-up account receivable collection strategy 19	
2.4.6.2 Challenges of invoicing and follow-ups account receivable collection strategy 19	
2.5 Emperical Evidence.....	19
2.7 Summary of previous studies.....	22
2.8 Gap Analysis.....	22
2.9 Conclusion.....	22
3.0 Introduction.....	23
3.1 Research design.....	23
3.2 Target population.....	24
3.3 Sample size.....	24
3.4 Research instruments.....	24
3.5 Information from secondary data sources.....	24
3.6 Information from primary data sources.....	25
3.6.1 Primary Data Research Instruments Applied.....	25
3.6.1.1 Questionnaires.....	25
3.6.1.1.1 Validation of using questionnaires.....	26
3.6.1.2 Interviews.....	26

3.6.1.2.1 Validation of Interviews.....	26
3.7 Validity and Reliability.....	26
3.7.1 Validity.....	26
3.7.2 Reliability.....	27
3.8 Pilot Testing.....	27
3.9 Procedures of data collection.....	27
3.10 Data presentation and Analysis techniques.....	28
3.11 Chapter Summary.....	28
4.0 Introduction.....	29
4.1 Response rate.....	29
4.2 Demographic information.....	29
4.2.1 Occupational level of respondent.....	29
4.4 Respondents of working experience.....	30
4.5 Educational level.....	31
4.6 Research instrument reliability testing.....	32
4.6 Research Question Responses.....	33
4.6.1 Current receivables collection strategies.....	33
4.6.2. Effectiveness of the currently used Receivables collection strategies.....	33
4.6.3 Challenges faced the receivables collection strategies.....	34
4.6.4. Relationship between accounts receivables collection strategies and financial performance.....	36
4.6.4.1 Regression analysis.....	36
4.6.4.1.1 Model Summary.....	36
4.7 Research Findings on Interview.....	39
4.7.1 Accounts receivables collection strategies that best influence the financial performance of MRDC.....	39
4.7.2 Effectiveness of receivables collection Strategies reduction of outstanding balances.....	39
4.7.3 Solutions to challenges being faced by MRDC when implementing accounts receivables collection strategies.....	40
4.8 Chapter Summary.....	40
5.0 Introduction.....	41
5.1 Research summary of findings.....	41

5.1.1 Current receivables collection strategies.....	41
5.1.2 Effectiveness of current receivables collection strategies on the financial performance of MRDC.....	41
5.1.3 Challenges being faced by the current receivables collection strategies.....	42
5.1.4 Other receivables collection strategies that can be used at MRDC.....	42
5.1.4.1 Garnish customer accounts.....	42
5.1.4.2 Debt Factoring.....	42
5.2.1 Accounts receivables collection strategies which best influence the financial performance of MRDC.....	42
5.2.2 Effectiveness of receivables collection strategies in reducing outstanding balances.....	42
5.2.3 Solutions to challenges being faced by MRDC when implementing accounts receivables collection strategies.....	43
5.3 Conclusions.....	43
5.4 Recommendations.....	43
5.5 Suggested areas for future study.....	44

## LIST OF TABLES

Table 4.1: Reliability statistics.....	33
Table 4.2: Current receivables collection strategies.....	33
Table 4.3: Effectiveness of receivables collection strategies.....	34
Table 4.4: Challenges faced by the receivables collection strategies.....	35
Table 4.5: Model Summary 1.....	37
Table 4.6: ANOVA 1.....	38
Table 4.7: Coefficient 1.....	38

## LIST OF FIGURES

Figure 2.1: Conceptual framework.....	13
Figure 4.2: Occupational level of respondent.....	31
Figure 4.3: Working Experience.....	31
Figure 4.4: Number of employees.....	32

## **LIST OF ABBREVIATIONS AND ACCRONYMS**

MRDC- Mazowe Rural District Council

GMB- Grain Marketing Board

NSSA-National Social Security Authority

CCC- Cash Conversion Cycle

ROI- Return on Investment

ROE- Return on Equity

ROA- Return on Assets

EBIT- Earnings before Interest and Tax

SPSS- Statistical Package for the Social Sciences

# CHAPTER I

## INTRODUCTION

### 1.0 Introduction

Effective receivables management is critical for an organization, as outstanding balances can be utilized to finance daily operations. Consequently, implementing robust receivables collection strategies is essential for an organization's financial performance. This chapter provides the context for examining the impact of accounts receivables collection strategies on the financial performance of local authorities, specifically focusing on the Mazowe Rural District Council (MRDC). In addition to establishing the foundation for the study, this chapter outlines the research objectives, questions, hypotheses, and the justification for conducting the research. Furthermore, the chapter addresses the delimitations and limitations of the study. The importance of receivables management and the need for strategic collection approaches are central to this research, which aims to explore the relationship between MRDC's receivables collection strategies and its overall financial performance. By establishing this context, the chapter sets the stage for the in-depth investigation that follows.

### 1.1 Background to the study

The important function of a finance manager is to make sure that accounts receivables are managed properly and also to ensure that the organization's current assets are liquid enough to meet its short-term operational cost, by making sure that the debtors have paid up their debts when they are due (Cooper, 2018). If the receivables are well managed, it leads to profitability of the firm same as if there is poor management of the receivables, it leads to poor liquidity meaning the organization has insufficient inventory hence low sales and profitability as well. The collection period of accounts receivables should be a bit longer so that the sales would be higher hence more profit to the business. However, when there is an increase in account receivables, financial resources would be unavailable to have been put into efficient use for the business to

earn profit. Thus, there is a strong relationship between the management of accounts receivables and the financial performance of the company. There is so much research that was done on accounts receivables mostly as a component of working capital management from various researchers. Manyo & Ike (2019) led the research on the effectiveness of accounts receivables on Return on Assets (ROA) of Nigerian firms and found a negative relationship with Return on Assets. Sharma & Kumar (2012) opposed and suggested that there is a positive relationship between Return on Assets and accounts receivables. Therefore, there is a call for more research with defined alternatives. The process of managing credit and account receivables effectively includes sales cooperation, credit control marketing, finance, and accounting staff. Account receivables management is complicated because it consists of credit control, sales, marketing, and finance functions of the business. It is the. Important that management for effective and efficient management of accounts receivables make sure that there is high turnover which results from credit sales to improve cash flows and profitability. Waweru (2019) states that the ineffectiveness of debtor management may lead to poor credit ratings from financial organizations to most Tanzanian firms. This would not be easy for a firm to obtain funds from financial institutions to boost its working capital. Total collapse in production may be due to severe liquidity a problem that is holding so many funds in account receivables for the organization would not be able to meet its financial obligations. Therefore, in extreme situations, the company would be placed under receivership for it would be insolvent and wound up. The proper management of credit extension policy, receivable conversion period, account receivables turnover, and financing of receivables shows that there are efficient receivables because they affect financial performance.

Mazowe Rural District Council is a non-profit making organization, that is, it has welfare development as its major objective. This organization only seeks to break even to keep on carrying out its duties of providing service to the people in the community. Then the services that the council offers to the community are paid by the ratepayers after a period of a month. MRDC has a broader base of revenue if strategically followed up. It is surrounded by lots of farms and has enough land for development and mineral deposits.



The process of collecting past-due payments is called receivables collection. To enable organizations to meet their financial commitments associated with the provision of their services in any particular industry, it is crucial to identify the best tactics to employ, to assure recovery of overdue amounts within the shortest possible period. If they can't get what they're owed in the allotted time, many entities will struggle to meet their financial responsibilities.

Mazowe Rural District Council as a whole had been facing challenges in revenue collection from its clients as they were failing to pay their accumulated debts. This led the local authority to face persistent negative budgetary balances which in turn have seen the organization accruing large sums in its liabilities.

These financial woes being faced by the Council have resulted in incessant garnishes by Zimra, NSSA, and other bodies. This has a ripple effect on the mandate of the council as services decreased to an unprecedented level.

Therefore, a lot of receivable revenue needs to be collected from household customers, farmers, mine owners, commercial businesses, and other debtors so that the gap created would be reduced to improve the financial performance of MRDC.

## **1.2 Problem statement**

MRDC has faced huge debts from its debtors which have led to the accumulation of receivables which has affected the council's productivity negatively. Then, the organization has tried to use the legal suits as a strategy of helping them to improve revenue collection since the management of finance is the backbone of the organization. However, the challenges being faced by the organization are external and internal. On one hand, MRDC needs money but it should not stop providing services to the community, hence this results in the accumulation of debt. Failure to provide services to its customers would result in the spreading of diseases like cholera due to poor sanitation since the organization provides services like sewer reticulation, refuse collection, and clinic maintenance. Therefore, the need for research is how MRDC can recover outstanding amounts to break even to keep on carrying its duties of providing service to the people in the community hence the purpose of this study.

### **1.3 Research Objectives**

- i. To identify the accounts receivables collection strategies at MRDC.
- ii. To determine the effectiveness of accounts receivables collection strategies in recouping unpaid amounts at MRDC.
- iii. To identify the challenges being faced by MRDC when implementing accounts receivables collection strategies.
- iv. To explore other accounts receivable collection strategies that can be implemented at MRDC.
- v. To determine the relationship between accounts receivables collection strategies and financial performance.

### **1.4 Research questions**

- i. What are the accounts receivable collection strategies being used at MRDC?
- ii. How effective are accounts receivable collection strategies in recouping unpaid amounts at MRDC?
- iii. What are the challenges being faced by MRDC when implementing accounts receivable collection strategies?
- iv. What other accounts receivables collection strategies can be implemented at MRDC?

### **1.5 Hypothesis testing**

H0: There is no relationship between accounts receivables collection strategies and financial performance.

H1: There is a relationship between accounts receivable collection strategies and financial performance.

### **1.6 Significance of study**

The research will be important to the following stakeholders

- i. **The Researcher**

It will be an important requirement in the fulfillment of Bachelor of Accountancy degree requirements. Facilitate the researcher to gain improved knowledge on accounts receivable collection.

## **ii. The University and other researchers**

The accounting department and the library will have much information as a field of study. Information will be used as the foundation for studies by scholars in the future.

## **iii. The organization**

The research will cover the areas of accounts receivable collection strategies that can be modified at MRDC and other strategies to recover debt.

### **1.7 Limitations of the study**

- ❖ One of the greatest challenges was pointing out household customers with high amounts of receivables and the estimation of recoverable receivables.
- ❖ To add on, the study had limited information on receivables as MRDC management did not provide relevant information concerning its receivables for the research study.

### **1.8 Delimitations**

- i. **Time-** Data collection of the study is from January 2020 to April 2024. The researcher focused on the commercial customers, miners, farmers, and individuals that are the Tsungubvi, Nzvimbo Growth Point, and Dandamera residents that owe MRDC.
- ii. **Access to information-** The researcher accessed information on accounts receivables collection strategies from MRDC revenue clerks and the MRDC Finance Officer.

### **1.9 Definition of key terms**

- ❖ **Revenue-** It is the inflow of economic benefits in an organization that increases net assets or equity
- ❖ **Accounts receivable-** Individuals owing money to the company or another person.

- ❖ Financial Performance- The overall financial strength of an organization. When a company has great financial performance, it normally shows that its sales are increasing, its debt is under control, and its free cash flow is adequate.
- ❖ A local authority, also commonly referred to as a municipal authority, is a political subdivision that operates at a level below the national government. These local authorities are established through legislation and are granted significant control over local affairs within their jurisdiction.

### **1.10 Assumptions**

- i. The researcher was assuming that MRDC is capable of improving its financial performance through accounts receivables collection.
- ii. All respondents were able to answer the truth in all interviews and questionnaires willingly.
- iii. Accounts receivables have an important role in revenue generation at MRDC.

### **1.11 Chapter Summary**

This chapter is an introductory stage of accounts receivable collection at MRDC. The chapter covers the historical background of MRDC, the background of the study, research questions, objectives of the study, hypothesis testing, and significance of the study, problem statement, research assumptions, research limitations, delimitations, and definition of terms. Up next is the next chapter focusing on the Literature Review which is an empirical and theoretical review.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the literature that forms the basis of the study which is an empirical education theoretical review on accounts receivable collection approaches and financial performance. A literature review is methodical empathy, positioning, and examination of documents comprehending evidence interrelating current research study (Murthy et al., 2008). The section is comprised of a theoretical review, conceptual framework, financial performance, accounts receivables collection strategies, factors influencing accounts receivables collection strategies, effectiveness of accounts receivables collection strategies at MRDC, Empirical review, Gap analysis, and conclusion.

#### **2.2 Theoretical review**

A theory is a well-established idea intended to be explicative and advances the public's comprehension of connections between elementary events (Eden & Ackermann, 2018). This study is going to rely on the following theories.

##### **2.2.1 Cash Conversion Cycle (CCC) Theory/Working Capital Management**

The working capital management theory known as the Cash Conversion Cycle enables businesses to improve their financial management processes (Savino, 2020). A theoretical and financial method known as the CCC hypothesis explains the duration of converting the organization's liquid assets into cash which is converting the receivables into cash. The theory then focuses every year, on the rate of recurrence that an organization needs to convert its current assets into cash so that it may be able to pay for its operating expenses and other obligations (Oseifuah & Gyekye, 2017). This study made use of the CCC hypothesis. The purpose of the theory is to explain how rapidly working capital may be transformed into liquid cash to successfully cover an organization's operational costs without facing any penalty. An organization with a

higher cash ratio and shorter CCC periods is considered to be efficient and financially stable. According to the idea of the cash conversion cycle, an organization should take a certain period to send and receive cash that is tied to the working capital. The theory explains how rapidly working capital may be transformed into liquid cash to successfully cover an organization's operational costs. Liquid cash is created by converting funds held in other working capital management components like inventory, receivables, and cash equivalents. Therefore, cash conversion cycle theory states that organizations that can quickly convert their current assets into liquid cash are deemed to be financially healthy as compared to those that struggle to reclaim their assets into cash. So, this theory recommends that organizations should aim to hold current assets that are quickly convertible into cash so that they can meet their arising operational costs (Chang 2018). However, there is Darush Y (2014) who disagrees with the CCC theory noting that studies are conducted based on different Sample sizes hence giving the disagreement on profitability. He also added that the relationship between CCC and profitability is unknown as businesses are built on different economic conditions and the environment the business operates.

### **2.2.2 Stakeholder theory**

Freeman (2020) in the late twentieth century (Emerson Wagner Mainardes et al, 2021) suggested that a stakeholder is any non-profit organization or person, inside or outside the organization, who has a considerable ability to influence or be influenced by business activity (Ardian. H. Y 2020). Stakeholder theory is concerned with what happens in the principal-agent relationship and also outside it. This includes stakeholders like personnel, customers, banks, suppliers, the state, trade unions, and other local authorities. When an organization is making its decisions on accounts receivable collection it has to consider a continual relationship with its credit customers. Therefore, the new participants appear in corporate governance, whose place and importance have not been previously taken into consideration (Nedelchev, 2017). The main purpose of the theory is that organizations must produce value for their stakeholders, which include shareholders, employees, suppliers, consumers, the government, and the community, to flourish. The organization's decision is mainly influenced by accounts receivable in that when they are not carried out correctly, they

tarnish the image of the organization and disrupt future relationships with other customers. Thus, an organization must carry out its mandatory with all stakeholders in mind since stakeholder engagement in a corporation means the management must play a role in maximizing their wealth (Mohamed et al, 2017). The shared perception of value that managers generate and what binds stakeholders together are both asked for in the stakeholder theory. To achieve their goals, managers are pushed by stakeholder theory to be clear about their organizational goals and the kind of connections they need to have with their stakeholders (Karungari, 2012). This idea has extremely great potential for it is applicable in the actual world, especially in all businesses. Stakeholder theory is so crucial because it can be applied to show how debt collection techniques might boost financial performance by involving various stakeholders (Mohamed et al, 2017). However, on the other hand, Jones T.M et al (2018) criticize the stakeholder theory pointing out that it is impossible for an organization to all stakeholders in corporate governance as this will distract the Corporation's success.

### **2.2.3 Debt Maturity Theory**

Stewart C Myers is the first theorist to analyze the Debt Maturity Theory. The debt maturity theory states that short-term debt maturity can have a higher debt overhang effect than long-term debt maturity (Ghada Tayem 2018). Diamond D et al (2021) also said that the debt maturity theory contains that short-term debt maturity can have a higher debt overhang effect than long-term debt maturity. This is because it can have a great effect on the firm's investment, which can then have an impact on the financial performance of the organization. In addition to that Flannery (2019) also states that high-quality firms use the maturity of their short-term debt to signal their quality and that low-quality firms are unable to do it as well due to the high transaction costs incurred in rolling over short-term debt which can affect the financial performance of the company due to the market's lack of knowledge. Therefore, a short-term debt plan puts the firm at risk of doubt regarding the future refunding rate because the firm's kind has been made public at the time of refinancing so the businesses must improve their accounting practices to lower the risk of default (D'Amato A 2020). Additionally, the notion affirms that the management of the company can determine the overall system's resilience and capacity to handle challenging debt default issues. Doubtful debts are

those whose final recovery is uncertain due to the circumstances so the main purpose of the theory is to give light to the management on how they properly categorize the different sorts of debts and then come up with a debt collection strategy that will work to collect the debts, and determine how best to use collection strategies to maximize debt recovery. The hypothesis raises the downside by focusing only on the investment portion of the firm and ignoring everything else factors that attract capital for investment. However, Joshi (2019) criticizes the debt maturity theory in that the rate of a company's growth affects how much cash it has. For instance, high-growth businesses have more cash on hand to support expansion opportunities, capital budgeting, and debt financing costs. However, low-growth companies typically have lower levels of cash and more net debt (Joshi 2019).

## **2.3 Operationalization of terms**

### **2.3.1 Accounts receivables**

For a company to be able to satisfy its short-term obligations and assure its ongoing cash flow from profitable ventures, it must have liquid assets. Accounts receivable is money owed to an organization in exchange for items already supplied or services already provided (Francis Munene 2018). Most organizations benefit from credit sales more quickly and observe the improvement in profitability the faster the rotation period (Karim et al, 2021). Receivables are reflected in the financial statements after the provision for impairment losses has been deducted from their value. Receivables are also typically displayed on a single line in the financial statements and notes are included in the breakdown of the sub-components (Andari & Azmy, 2019). So that the accounts receivables are properly managed it is necessary to determine the accounts receivable policy. Accounts receivable policy is evaluated using the typical number of days' worth of accounts receivable. The fact that accounts receivable make up a sizeable amount of current assets on the statement of financial position of various organizations emphasizes how important it is to manage and finance this kind of asset because it has a great impact on a company's performance, risk, and value. Below are other definitions of Receivables by different authors;

Accounts receivable are the funds owed to a business as a result of credit sales to



customers (2013) (Eleonora)

Accounts receivable is a short-term debt incurred as a result of credit sales that are recorded as accounts receivable by the seller and accounts payable by the buyer (Brigham & Eugene, 2022).

Unbilled accounts receivable may cause losses (Maha Al-Mahmoud et al 2020). Current assets are defined as receivables that are past due in less than a year. Accounts receivable is typically divided by a corporation according to accounts receivable (Abdul Karim 2022). It represents the normal number of days that the business needs to wait before collecting money from a customer. Therefore, to perform day-to-day business, a company must maintain a balance between liquidity and profitability.

### **2.3.2 Financial Performance**

The ability of an organization to control and manage its own resources or financial success is measured by its financial performance. There are indicators of a company's financial performance that include capital sufficiency, liquidity, solvency, efficiency, leverage, and profitability over a given period. The financial performance also contains the collection and the allocation of capital (Didin Fatihudin et al 2022). Corporate managers usually use cash flow, the statement of financial position, the statement of profit or loss, and capital change data to inform their decisions. Financial Performance is a measure used to assess a company's capacity to generate profit, revenue, or both. To measure the company's financial performance, there are various ratios to consider that are ratios that measure liquidity, profitability, solvency, efficiency, and leverage ROI (Return on Investment), ROE (Return on Equity), ROA (Return on Assets), and EBIT (Earnings before Interest and Tax) are some of the examples of profitability ratios. When a stock is more liquid, investors are more likely to build up a sizable stock portfolio (Wang S et al 2020). Below are other definitions of financial performance;

Financial performance is an objective measure of how well a company can use its primary business assets to generate revenue (Kolapo et al 2012).

Financial performance is defined as a company's ability to survive, grow, operate efficiently and profitably, and respond to environmental threats and opportunities (Kevin

and Omagwa, 2017).

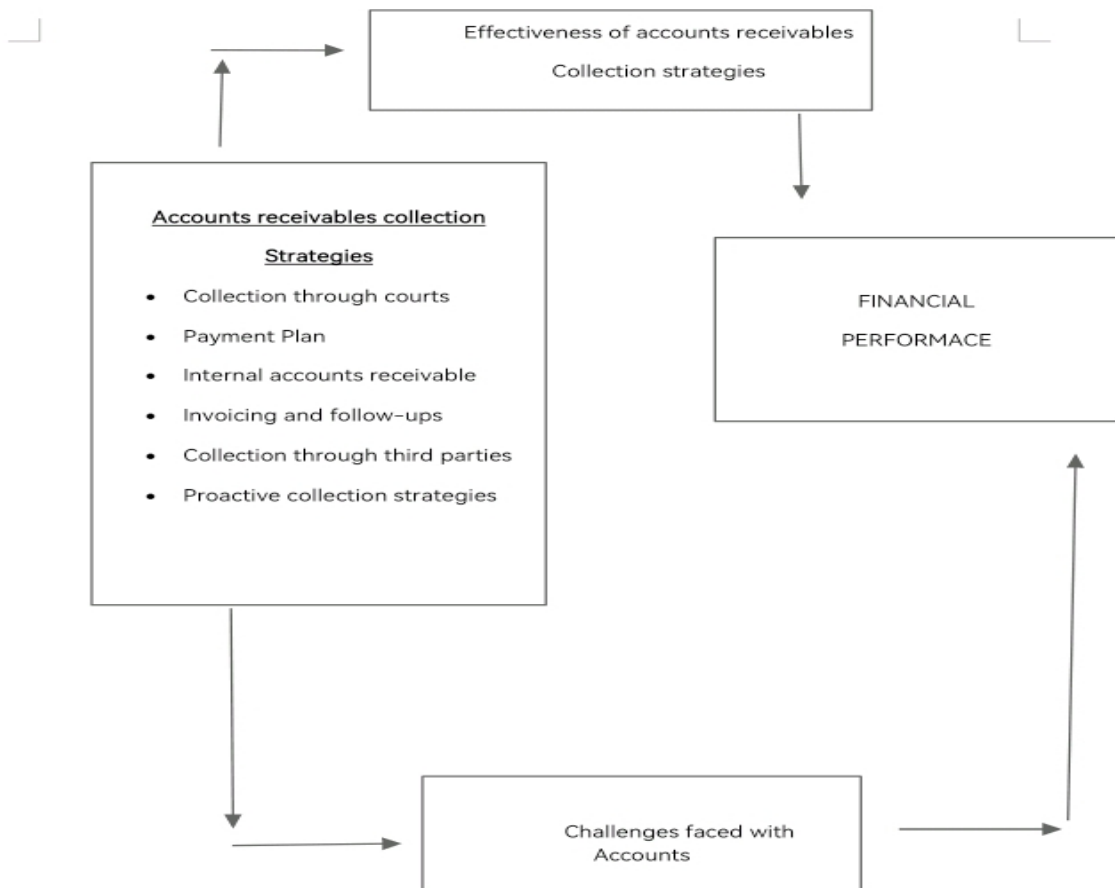
Financial performance is also known as the monetary evaluation of a company's policies and operations. The returns and value-added of an organization reflect these results. This is a measure of how well an organization can use resources from its main line of business to generate income. (J. Gardenier et al., 2021)

Financial performance is the degree to which financial objectives are or have been achieved, or it is used as a general measure of a firm's overall financial health over a given period. It can be used to compare firms in the same industry, as well as to compare industries or sectors as a whole (Metcalf and Tetrad, 2015)

Financial performance can also be used to compare similar companies in the same industry or area, such as the education sector, and as a broader indicator of a company's overall financial health during a given period (Alsartawi, A M et al 2021). It includes financial statements, which are a logically organized compilation of facts using trustworthy accounting standards. Financial performance may be improved by instituting effective corporate governance that allows the organization to not only focus on its stockholders but its broader stakeholders (Anthony Okafor et al 2021). The growth rate of sales revenue is also used in the evaluation of financial performance.

## **2.4 Conceptual Framework**

It is possible to define a conceptual framework as a pictorial description of how the research problem would be investigated by the researcher. It is also a presentation model that diagrammatically puts across the link between variables. The major purpose of the structure is to allow the reader to imagine at a glance the proposed relationship easily. This procedure is frequently done in conjunction with the creation of the research topics (Latham et al 2016). While dependent variables are explained by independent variables, independent variables explain other factors (Bhattacharjee 2012). The relations between the variables are shown below:



*Figure 2.1: conceptual framework*

The above framework shows that financial performance (Dependent Variable) is affected by successful receivables collection strategies and challenges faced by the accounts receivables collection strategies (Independent Variables).

## **2.4 Empirical Review**

### **2.4.1 Accounts Receivables Collection Strategies**

Accounts receivable collection is a practice done by an organization to recover its owings from its clients. The main purpose of the process is to transform amounts owed (accounts receivables) effectively and efficiently which is quick and suitable for maintaining good relations with the clients. A company must have effective accounts receivable strategies that are suitable for maximizing resources at the lowest possible cost (Hartman J 2020). A suitable collection procedure should recognize the responsibility of the personnel, data maintenance, and client segmentation, and offer the best alternative payments which meet clients' conditions.

Therefore, the early stage that should be adopted on accounts receivable collection is factor identification which promotes the determination of accounts receivable repayment capability. Organizations should develop appropriate scheme collection strategies that are proactive. Collection strategies that are well designed, consider the strengths and weaknesses of the organization, communicating questions that are basic on whether collections can be handled indoors or outsourced.

The following Accounts Receivables collection strategies are to be discussed below. Collection through courts, Payment Plan, Internal Accounts Receivables collection team, Proactive collection strategy, Stop Order and Disconnect so that customers pay, collection through third parties (outsourcing).

### **2.4.2 Collection through Courts**

The main strategy used by debt collectors to subdue payments from customers is litigation. In such legal actions, the claimant seeks a court order attesting to the legitimacy of their claim (Ing-Haw Cheng et al 2021). A creditor usually files a "Summons and Complaint" in a state civil court to start a debt collection case (Julia C et al 2022). The persons involved are listed here, along with the debt owed (including

interest and, in some cases, attorney fees and court costs). The suspect receives notice that they are being sued by serving them with the summons that shows the due date for submitting the reply which is the formal answer to the court. The claimant will normally request that the court enter a default judgment if this due date is missed (Julia C et al 2022). The collectors are facing challenges mainly on how to identify customers who are likely to have the financial means to pay, then find them and obtain as much money as they can before other debt holders. Unsecured debts are then collected by negotiating and lawsuits. Regulations that control the recovery of debt should affect a compromise between the development of consumer finance and consumer protection, as well as the ethical and legal duty to return a loan and considerate and ethical financial practices (Nicolas Lainez 2021).

#### **2.4.2.1 Effectiveness of collection through courts strategy**

The process of pursuing legal action through the courts can help the creditor, or claimant, learn effective methods to enforce a judgment against the debtor. The most common approaches to enforcing judgments involve garnishing the debtor's salaries or directly withdrawing funds from their bank account. However, if the dispute is resolved before the trial stage, the creditor may forfeit the right to collect the debt by seizing the debtor's bank accounts or wages. In such cases, the lawsuit is often dismissed in exchange for the debtor making a one-time lump sum payment to the creditor (Jessica et al., 2022). This highlights that the effectiveness of the collection through courts strategy can be influenced by whether the dispute is resolved prior to the trial. If a pre-trial settlement is reached, the creditor may have to forgo the more forceful debt collection methods, such as wage garnishment or account seizures, in favor of a one-time lump sum payment from the debtor.

#### **2.4.2.2 Challenges of collection through courts strategy**

Nevertheless, there are some challenges to the strategy of collecting debts through court which is time-consuming, for receivable collection to be more efficient, the court and the execution collection have to take a lot of time (Tavengwa M 2017). The court needs a lot of court execution procedures, vague legal provisions, the need for legal counsel, disregard for electronic documentation by the court, a lack of commitment to

ADR, inadequate mediator skills, and a lack of knowledge of mediation's efficacy.

### **2.4.3 Payment Plan Strategy**

An organization could offer its customers a payment plan as an account receivables collection strategy that is if they are unable to pay the entire balance at once. The payment plan could be structured so that the customer pays a certain amount each month until the balance is paid in full. This strategy can be beneficial for both the customer and the organization, as it allows the customer to make manageable payments and avoids the need for further action from the organization (Austin-egole et al 2021).

#### **2.4.3.1 Effectiveness of payment plan accounts receivable strategy**

The payment plan has a range of effects on an organization according to (Jessica et al 2022), they can increase the amount of money collected by the local authority as customers who might not have been able to pay their bills in full can pay it in installments instead. Moreso, they can improve customer satisfaction, as customers appreciate having the option to spread out their payments. Payment plans can reduce the amount of time and effort spent by the local authority on chasing up payments, as customers are more likely to make their payments on time. They can also reduce the amount of money owed to the local authority in bad debts.

#### **2.4.3.2 Challenges of payment plan accounts receivable collection strategy**

Since payments are spread out over a longer period, they can increase the amount of time it takes for the local authority to receive payment in full. They can also increase the administrative burden on the local authority, as more time and effort are required to set up and manage the payment plans (Julia C et al 2022). Moreover, this strategy can increase the risk of customers defaulting on their payments, as they may be more likely to miss a payment if it's spread out over time. The payment plan collection strategy can lead to a reduction in customer trust, as customers may feel that the local authority is being too pushy by offering payment plans (Nicolas Lainez 2021).

### **2.4.4 Proactive Accounts Receivable Collection Strategies**

A proactive accounts receivables collection strategy is a method whereby an

organization applies a solution before the manifestation of the problem. The proactive reduction of bad debts and acceleration of payments is an important aspect of account receivables management, which, taking into account the "time-value of money," has a great effect on eventual profitability (Mohd Atir, et al 2020). The same concepts should guide proactive resolution strategies: either try to stop the debt from becoming unsustainable in the first place, or convert debt that is close to being unsustainable into finance through preplanning. At least two strategies can be used to try to keep debt financing from becoming unsustainable. The first is to use "variable financing" to link the debt's payment amounts and/or maturities to variables that are subject to change and reflect the debtor's capacity to pay. The second is to restrict the debtor's assets or sources of income from serving as collateral for the debt (Steven L. Schwarcz 2019).

#### **2.4.4.1 Effectiveness of proactive accounts receivable strategy**

For the collection strategy to be effective, it is important to have and timely information regarding delinquent clients, loan situations, and significant information that provides feedback on the credit cycle. The institution must have in place an effective information system to facilitate the monitoring of past-due clients and the development of clear and brief reports to properly analyze collection activities (Udofia, 2016). This is essential to make sure that there is continuity in terms of the collection activities carried out by each participant, prevent duplication of efforts, and avoid contradictions when there are many potential channels for collections (collection agents, call centers, collection campaigns, etc. (Morris, 2014).

#### **2.4.4.2 Challenges of proactive accounts receivable collection strategy**

The main challenge in the debt collection process is the lack of real-time communication between the debtor and the collector. This significant challenge must be handled by every collection agency in the sector. Collectors must create tailored collection strategies because every debtor has a different capacity for repayment due to differences in their financial circumstances (Morris, 2014). Due to the regular breakdowns in communication, this is very cumbersome. All of this hinders them from offering a seamless customer experience and results in a protracting, challenging, and incomplete process of collection. To establish a relationship of trust between the two

sides right away, the contents of the repayment schedules, document exchanges, computations, etc., should be immediately discussed between collectors and debtors. On the other side, the debtor could need to rush to organize the documents, have them printed, or have them scanned, which would result in a drawn-out process and a rocky start.

#### **2.4.5 Internal accounts receivable collection team strategy**

The internal accounts receivable collection unit is a group of internal staff who participate in the day-to-day activities of the organization and are chosen for the receivables collection process. This is very useful because internal staff already know the clients being dealt with by the organization. The group is very industrious in maintaining clientele relationships, considering that the success of the organization is supported by clients. The internal units ease internal responses about the process of collection (Karungari 2017). The group aims to make the collection staff fully engaged in organizational objectives. (Karungari 2012), added that an internal database that keeps information on the maturing of imminent receivables collection should be developed. This certifies the organization to keep possession of control above the client alliance, which results in straight control and secure collection practices that are to the organization's ethics. When employees believe, they are significantly contributing to the success of their organization, they are more likely to feel motivated to work hard. In addition, they are likely not to look for opportunities elsewhere. Consequently, a company that offers employee training represents an untapped source of advantage over rivals (Sigamoney 2014). Internal departments enable internal feedback on the full collection process. An internal debt collection team increases employees' loyalty to the company and its goals. Internal units facilitate internal feedback on the collection process as a whole which showed that there is a positive relationship between financial performance and internal accounts receivables collection (Mapa I 2017).

##### **2.4.5.1 Effectiveness of internal accounts receivable collection team**

Internal units are more knowledgeable about the customer and the market. They take care to keep up good client relations because doing so could result in client reactivation. Internal units enable internal evaluation of the whole collection process (Ayodel et al.



2014). Additionally, having an internal debt collection department increases employees' commitment to the company and its objectives. The company's internal database has the data needed to create predictive debt collection strategies. Additionally, this gives the organization more direct control over the client interface and guarantees that collection procedures follow the institution's ethical standards.

#### **2.4.5.2 Challenges of internal accounts receivable team accounts receivable collection.**

Establishing an internal debt collection unit, according to (Ayodel et al. 2014), has several disadvantages, including the requirement for specialized staff training, which few businesses have the time or resources to offer. Controlling and managing collection personnel and operations are expensive. Personal and professional recognition for collections staff is lacking.

#### **2.4.6 Invoicing and follow-up account receivable collection strategy**

It is a system of invoicing and follow-up reminders to encourage customers to pay their bills on time. The idea behind this system is to automate the process of sending out invoices and follow-up reminders (Udofia, 2016). This can be done using software that's integrated with the organization's accounting system. The software can be set up to automatically send out invoices on a certain date, and then send out follow-up reminders after a certain period if the invoice has not been paid (Morris, 2014). Some organizations' system allows customers to set up automatic payments so that their bills are paid on time without any action required on their part. Others allow customers to view their account history and past invoices, so they can track their payments and see any outstanding balances. Some systems even allow customers to communicate with customer service representatives directly through the system (Mapa I 2017).

##### **2.4.6.1 Effectiveness of invoicing and follow-up account receivable collection strategy**

Invoicing and follow-ups are an effective way to encourage customers to pay their bills on time and it can save a lot of time and effort for the company's staff (Ayodel et al. 2014). It is also important to have a system in place for tracking and reporting on accounts receivable data. This can help to identify trends and areas for improvement. It can help to reduce late payments and improve cash flow for the local authority. Another advantage is that it can save time and money by reducing the need for manual data

entry and processing. It can also make it easier to track and analyze data and identify trends and areas for improvement. The system can improve customer satisfaction by making it easier for customers to pay their bills and communicate with the local authority.

#### **2.4.6.2 Challenges of invoicing and follow-ups account receivable collection strategy**

Steven L. Schwarcz (2019) mentioned that the system of invoicing and follow-ups can be difficult to get customers to adopt and use a new system. Ensuring that the system is secure and that customer data is protected. It is important to make sure that the system is easy to use and navigate so that customers do not get frustrated and abandon it.

### **2.5 Emperical Evidence**

*Accounts Receivables collection strategies being implemented by other local authorities.*

#### ***Local Authorities in Kenya.***

A receivable collection strategy is a continual process that consists of constant procedures and policies that direct employees on the process of collecting outstanding amounts and how they should react in certain situations they face. For a firm to have an operative receivable collection approach, it must develop a receivable collection plot (Wambugu M 2019). The research purpose was on how Kenyan local authorities' financial presentation is affected by receivable collection. A descriptive study examination and correlation and regression examination were conducted. Collection of data was completed using questionnaires and a total of 30 local authorities were selected as a sample. Research findings were that local authorities outsource receivable collection to third parties, and use both litigation or enforcement and internal receivable collection units as the most effective receivable collection strategies in councils. The conclusion was that the internal receivable collection unit should be reorganized regularly so that working environment challenges are met as the market is always searching for new ways to evade levies and rates (Wambugu M 2019).

#### ***Polokwane Local Municipality of South Africa***

The research focus was on revenue planning at Polokwane Local Municipality. The municipality was facing many challenges including lack of financial issues, challenges in training, communities in the rural were not paying for municipal services rendered, and ward committees were not involved in revenue planning raising alarm to Molobela to conduct research. In contempt of nonpayment of services rendered, the municipality would not provide electricity, water, and sanitation services to individuals who had outstanding balances. For research findings, the researcher performed interviews with the municipal staff for receivable collection. The conclusion was that income scheduling on Municipal execution and clients who owe the municipality and planning of revenue hurt the government system of South Africa. Local communities were facing high rates of unemployment and poverty which contributed to non-payment of services provided by the municipality. The study's recommendations for proficiency development using various training materials come as its conclusion and initiatives relating to municipal revenue financial performance planning, and the participation of stakeholders in the revenue planning approach, together with the use of sound strategic ways to generate enough cash for the municipality.

### ***Assessment of revenue collection constraints in Zimbabwean local authorities***

The study covered constraints on the assortment of revenue by local authorities in Zimbabwe stretching from 2018 -2021. The study objectives were to discover resolutions to lack of funding challenges that negatively affect patterns of uncollected receivables (Zivanai et al 2022). Research investigations were on the identification of revenue sources of local authorities, collection constraints of revenue by local authorities, and identification of commercial and industrial ratepayers to come up with suggestions on the improvement of local authority revenue inflows. A descriptive study design with 165 participants was selected as a sample. Research conclusions where quality of service delivery was poor, corporate governance perception systems were poor and capitalization was inadequate, and that negatively affected the collection of revenue by local authorities. Primary data collection was collected from employees of the MRDC, and Mazowe ratepayers, and published secondary data was used for the research. Study recommendations were that the local authorities should perform

alertness campaigns, on the significance of rate paying, which would result in local authorities improving their service deliveries (Zivanai et al 2022).

***The influence of institutional ownership, profitability, liquidity, dividend policy, and debt policy on firm value (Dewi Sukmawardini 2018).***

The study objective was to see if institutional ownership, Return on Assets (ROA), Return on Equity (ROE), current ratio (CR), dividend payout ratio (DPR), and debt to equity ratio (DER) have any effect on firm value. The population consists of manufacturing companies that were listed on the Indonesia Stock Exchange between 2012 and 2016. The purposive sampling method was used to select 14 companies for this study. Profitability is calculated using Return on Assets (ROA) and Return on Equity (ROE), liquidity is calculated using Current Ratio (CR), and debt policy is calculated using Debt to Equity Ratio (DPR). Data analysis techniques included descriptive statistical and multiple regression analysis on 9 programs. The results show that organizational performance, ROA, and DPR do not affect firm value, while ROE has a positive effect and CR as DER has an adverse effect.

***Effect of receivable recovery techniques on the performance of selected financial institutions in Eldoret Town (Kamar and Ayuma 2016)***

Researchers aimed to examine accounts receivable effects and collateral retention effects of Eldoret town financial institutions. A total of 185 participants were selected as the study sample. The gathering of data was done through questionnaires. Therefore, the relationship between variables was examined through regression analysis. The researcher concluded that histories of accounts should be reviewed as proposal tools for accounts in financial institutions.

***Effects of receivable management of financial performance of selected microfinance institutions (MFIs) in Kenya (Kevin and Omagwa 2017).***

A sample of 9 microfinance institutions and 36 participants were selected to carry out the research. The collection of information was done by questionnaires. Numerical and qualitative research procedures were used. The financial performance of MFIs was influenced by internal controls, legal frameworks, and receivable collection policies.

Therefore, the researcher concluded that MFIs should develop sound internal control systems and a receivable collection policy should be established so that financial performance is improved.

## **2.7 Summary of previous studies**

Management of accounts receivable has been a crucial aspect ignored by top managers to recover outstanding amounts, especially due to the current economic challenges faced by Zimbabwe. A dollar today will lose value within the next three days due to a constant increase in inflation and exchange rates. Therefore, this has led to many organizations facing depression in their financial presentation. To add on failure for the collection of outstanding balances from accounts receivable has empowered the continual study of receivable collection practices that should be implemented by organizations. Countless types of research with numerous kinds of literature were conducted on the research effectiveness of receivable assortment strategies and financial presentation of organizations.

## **2.8 Gap Analysis**

Numerous studies have been conducted on receivable collection strategies with in-depth literature from different countries. Researchers have broadly investigated receivable collection strategies in financial institutions, small to medium-scale businesses, and parastatals that provide services before payment. The researcher noticed that there is a gap in previous research concerning the impact of receivable collection strategies on improving financial performance in local authorities in progressing countries that have sound earnings on paper but face challenges to running their daily running's fitting liquidity challenges. The studies mentioned earlier do not reflect the operating environment in which companies are in, therefore this research is conducted to fill a gap in the effectiveness of receivable collection techniques on financial performance on economic challenges affecting Zimbabwe where inflation and exchange rate are weekly increasing.

## **2.9 Conclusion**

The chapter spotted many researchers on the topic of receivable gathering approaches to financial performance over numerous literatures. Therefore, it should be noted that

organizations that operate on credit facilities should implement effective receivable collection strategies to improve liquidity. Nevertheless, there is no account of reference that is direct on the usefulness of receivable assortment approaches on financial performance therefore a study gap. For gap filling the research pursues to launch the effectiveness of receivable gathering approaches on the financial performance of public corporations with current economic challenges affecting Zimbabwe. The next chapter reviews the research methods conducted.

## CHAPTER III

### RESEARCH METHODOLOGY

#### 3.0 Introduction

In this chapter, the researcher focused on outlining the action plans taken to address the problem statement. The research methodology is described as the operational framework that includes various measures, steps, and data-gathering and analyzing techniques employed in the study (Mishra et al 2022). Kothari (2022) further emphasizes that the purpose of the methodology is to provide detailed information about the research steps and procedures conducted in the study. The chapter encompasses several key components including research design, population targeted, data sampling, method of collecting data, analysis of data, research instruments, compensations and disadvantages of research instruments used, and reliability and validity of the collected data.

#### 3.1 Research design

Research designs refer to the plans and procedures that are employed for the analysis of data in a study (Leavy P 2022). It is a systematic plan that outlines the approaches used for gathering and examining the information required for the study (Modica M 2022). The primary objective of the research design is to achieve the research goals.

In this study, the researcher selected the descriptive research design, which involves the collection and analysis of large amounts of data. The choice of descriptive research design was made to enable the generalization of research findings to a larger population. Descriptive research methods are processes that are used to organize and summarize data in an effective manner (Mishra et al 2022). The researcher opted for descriptive research because it allowed the answering of research questions related to the investigated variables after relevant data had been collected. Moreover, descriptive research holds significance as it enables the researcher to gather relevant information by eliciting the ethics, attitudes, and insights of the targeted population through surveys

or interviews. This approach helped in acquiring a comprehensive understanding of the variables under investigation. Overall, the chosen descriptive research design aligns with the objectives of the study for it enabled the collection of substantial data and addressed the research questions effectively.

### **3.2 Target population**

The target population refers to the group of items, objects, or individuals selected by the researcher for sample selection (Kombi.,2016). The target population represents elements or variables that are the focus of the research. In this study, the researcher targeted the Mazowe Rural District Council as the population of interest.

### **3.3 Sample size**

The sample size is the portion of a target population chosen to represent the entire population. The information provided below presents the size of the sample derived from the target population. In this study, the sample size consists of six cost centers of the Mazowe Rural District Council that primarily engage in accounts receivables collection practices.

### **3.4 Research instruments**

Research instruments are the tools or apparatuses used to collect data for the study. Data can be categorized into two sets: primary data and secondary data. Primary data referred to fresh facts that were firsthand information gathered by the researcher for the study. In this study, the research instrument used to collect primary data was questionnaires. On the other hand, secondary data referred to data that has already been researched or existing data used for research purposes. The research instrument used to collect secondary data included MRDC journals and reports. The researcher collected information from both primary and secondary data sources to gather comprehensive data for the study.

### **3.5 Information from secondary data sources**

Secondary data refers to existing data that has been previously researched by other authors to address similar issues or drawbacks that the researcher aims to study (Baldwin et al., 2022). In this study, information was collected from MRDC journals and



reports. Secondary data sources offered advantages such as time and cost savings, as the information was already available. However, there were limitations to the use of secondary data, as some of the collected information was not precisely aligned with the requirements of the current research. The researcher needed to analyze the information from these secondary sources to ensure it met the specific requirements of the study.

### **3.6 Information from primary data sources**

Primary data referred to the tools or apparatuses used in the collection of firsthand data that was directly aligned with the study's objective. Information from primary data sources was considered the most appropriate, as it specifically addressed the research questions and objectives. However, the collection of primary data was time-consuming and expensive. In this study, the researcher chose primary data sources because they provide feedback related to the research problem. The research instruments used for data collection were questionnaires and interviews. These methods allowed the researcher to gather data directly from the targeted population, ensuring that the information obtained was relevant to the study objectives and problem statement.

#### **3.6.1 Primary Data Research Instruments Applied**

##### **3.6.1.1 Questionnaires**

Questionnaires were used as a primary data research instrument in this study. A questionnaire is a structured self-reporting tool that respondents fill out, consisting of both open-ended and closed-ended questions (Joyanthi et al., 2022). The questionnaire design included a combination of open-ended and closed-ended questions to address various aspects related to current receivables collection strategies, their effectiveness, and the challenges faced. The closed-ended questions utilized appropriate scales with a 5-point rating, where respondents could indicate their level of agreement or extension of a particular statement. The scale ranged from 1 (very lesser extent) to 5 (very larger extent). They aligned with the research objectives and specifically addressed research questions related to accounts receivable collection strategies. The questionnaire template was divided into different sections. The first section focused on gathering demographic information about the MRDC finance employees. The second section inquired about the current accounts receivable collection techniques employed at

MRDC. Moreover, the third section included questions regarding the effectiveness of the accounts receivable collection strategies at MRDC. Finally, the fourth section addressed the challenges associated with the current accounts receivable collection strategies.

#### **3.6.1.1.1 Validation of using questionnaires**

Questionnaires were chosen as a research instrument because information was collected cheaply within a huge targeted population. Questionnaires permitted the gathering of information from a large population (Jayanthi et al 2022). There was an increase in the validity of the data collected because every respondent gave his or her questions. To add on, there was an increase in confidentiality as each respondent was filling on his or her questionnaire template. Confidentiality results in every participant providing their actual opinions without hesitation.

#### **3.6.1.2 Interviews**

A primary source of data collection, the researcher used interviews to gather information from respondents. According to Punch (Braekman 2022), an interview is a data collection technique in which the interviewer interacts face-to-face with the subject to elicit responses. Interviews may be helpful as a follow-up of respondents from the questionnaire. Interviews are of two types: structured interviews and unstructured interviews, according to (Thunberg et al 2022). The researcher used structured interviews in this study to gather data. MRDC finance managers were the target audience for the interview manual.

##### **3.6.1.2.1 Validation of Interviews**

Interviews offered several advantages in data collection. They provided immediate feedback from the respondents, allowed clarification, and cleared up the misconceptions. Interviews were a suitable method for this study, particularly when seeking opinions and impressions from the participants. However, it should be noted that interviews conducted face-to-face may not be completely anonymous, and participants may be hesitant to disclose certain details. The researcher addressed confidentiality concerns before the interviews to encourage information disclosure by the respondents.

### **3.7 Validity and Reliability**

#### **3.7.1 Validity**

Reliability and validity determine the accuracy and credibility of an instrument's measurement of the concepts being studied (Bouillon et al., 2022). Validity and reliability encompass three types: criterion validity, related construct validity, and content validity. Validity ensures that the researcher's intentions are accurately reflected, indicating what should be measured or described. For this study, content validity was employed as it assessed the degree to which the measurement instrument captured the intended content.

#### **3.7.2 Reliability**

Reliability refers to the consistency of a measurement instrument, demonstrating that it produces consistent results across repeated trials. It focused on the stability of outcomes under similar conditions but with different participants. In this study, data was collected using questionnaires and analyzed using SPSS version 21 software to assess the instrument's reliability. Reliability can be described as the ability of a questionnaire to yield consistent findings when repeatedly administered in the same scenario (Schumacher & Macmillan, 2010). It pertains to the instrument's consistency and its capability to accurately represent the phenomenon under investigation (Cronbach, 1971).

### **3.8 Pilot Testing**

Pilot testing, on the other hand, is a small-scale research activity conducted to gather participant information and test the methodology before conducting the main survey. It helped identify issues with the respondents' ability to answer questions, capture data, and establish content validity. Pilot testing allowed the researcher to ensure that the questionnaires were well understood by the intended respondents and make necessary improvements before implementing the final survey. In this study, ten respondents who were not part of the intended sample filled out the questionnaire as part of the pilot testing, and the questionnaire was modified based on the findings before conducting the actual data collection. Overall, the inclusion of reliability assessment and pilot testing in the research methodology strengthened the validity and quality of the study. It

demonstrated the researcher's effort, ensured consistent results, and improved the questionnaire's effectiveness before conducting the main survey. Based on the provided context, it appears that the researcher has discussed the procedures of data collection, data presentation, and analysis techniques in the research methodology.

### **3.9 Procedures of data collection**

In this study, the researcher employed both primary data and secondary data. Secondary data was collected from revenue sources such as previously prepared budgets, e-journals, books, and MRDC financial statements. The researcher collected this information from MRDC's finance department. For primary data collection, a pilot survey was conducted using a 10-item questionnaire. The questionnaire consisted of both closed-ended and open-ended questions. Schedules were made with targeted employees using stratified random sampling techniques, and the questionnaire was administered face-to-face. Strict privacy was ensured for the participants. The completed questionnaires were collected after three days.

### **3.10 Data presentation and Analysis techniques**

Data analysis is the process of examining raw collected data and condensing it into a manageable form to summarize observations and apply statistical frameworks. In this study, the information accessed from the questionnaires was presented using graphs, pie charts, mean, and standard deviation. Additionally, relationship analysis between dependent and independent variables was conducted using SPSS version 21 software.

### **3.11 Chapter Summary**

The chapter covered the research methodology, including the research instruments used for data collection. It also discussed the procedures for data collection, including the use of primary and secondary data sources. The upcoming section will focus on the analysis and presentation of the collected data.

## **CHAPTER IV**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **4.0 Introduction**

The primary objective of this research was to examine the effectiveness of different strategies for collecting accounts receivable on the financial performance of MRDC. Presentation, analysis, and discussion of the information and statistics collected on receivables collection strategies collected through the use of questionnaires and interviews are to be discussed in this chapter. The research questions of this study will be analyzed in this chapter, as well as the relationship between financial performance and receivables collection strategies. Data collected was analyzed using percentages, regression, and mean calculations.

#### **4.1 Response rate**

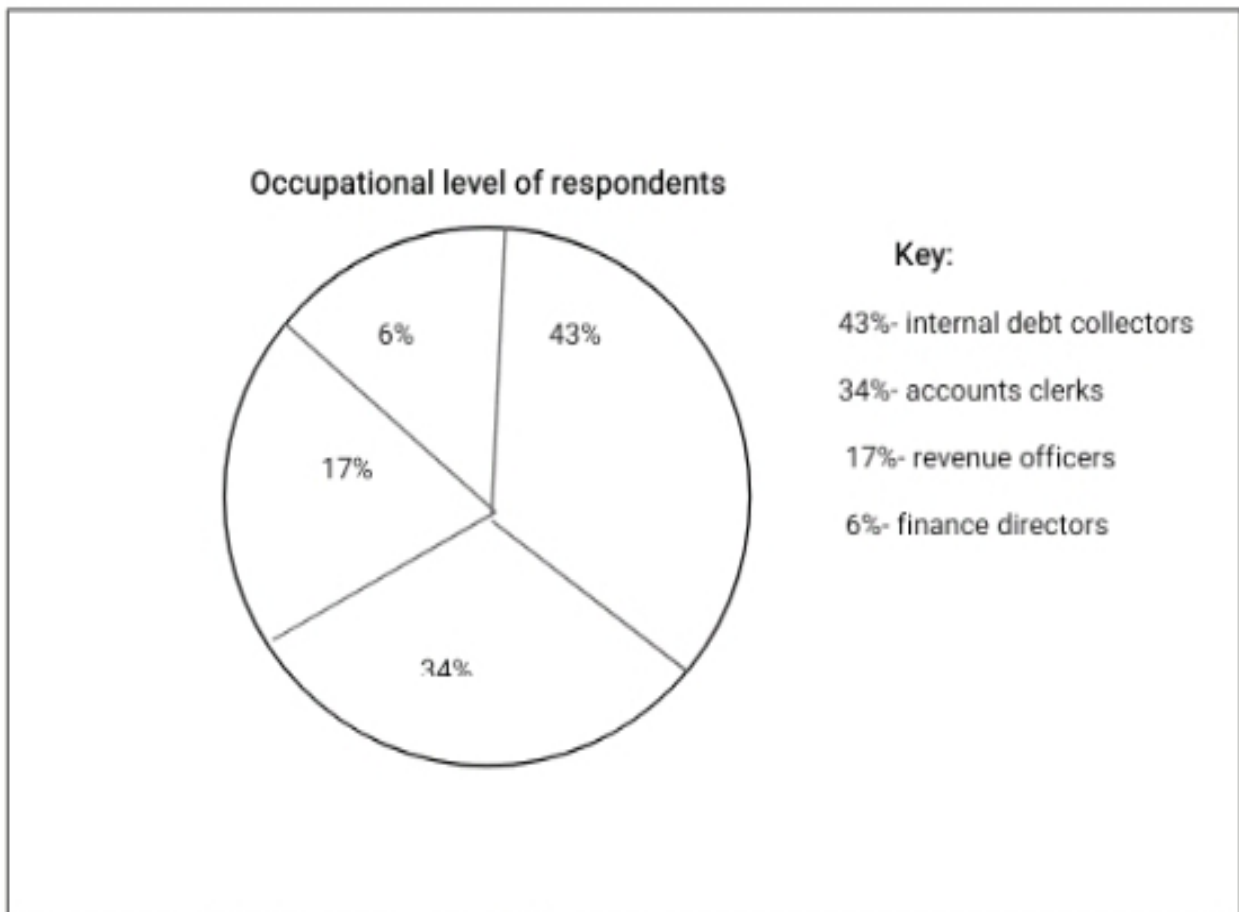
50 questions were distributed to all the MRDC cost centers which are the Tsungubvi office, Dandamera sub-office, Nzvimbo sub-office, Mt Pleasant Heights, Criston Bank, and the Head Office. A total number of 37 questionnaires were respondents. Therefore, the response rate on questionnaires was 74 percent. Three (3) Revenue clerks and the Finance Director responded to the interviews performed through the use of calls.

#### **4.2 Demographic information**

Demographic analysis of the study population was based on the occupation level of the respondent, the number of years worked at MRDC, and the educational level of the respondent.

##### **4.2.1 Occupational level of respondent**

The occupational level of the respondent was determined by whether he or she was an internal debt collector, accounts clerk, revenue officer, or financial director. 6 revenue officers responded which was a 17% response rate, 12 accounts clerks responded which was a 34% response rate, 15 debt collectors which was a 43% respondent rate



and the finance director and his assistant which was a 6% respondent rate of the questionnaires distributed.

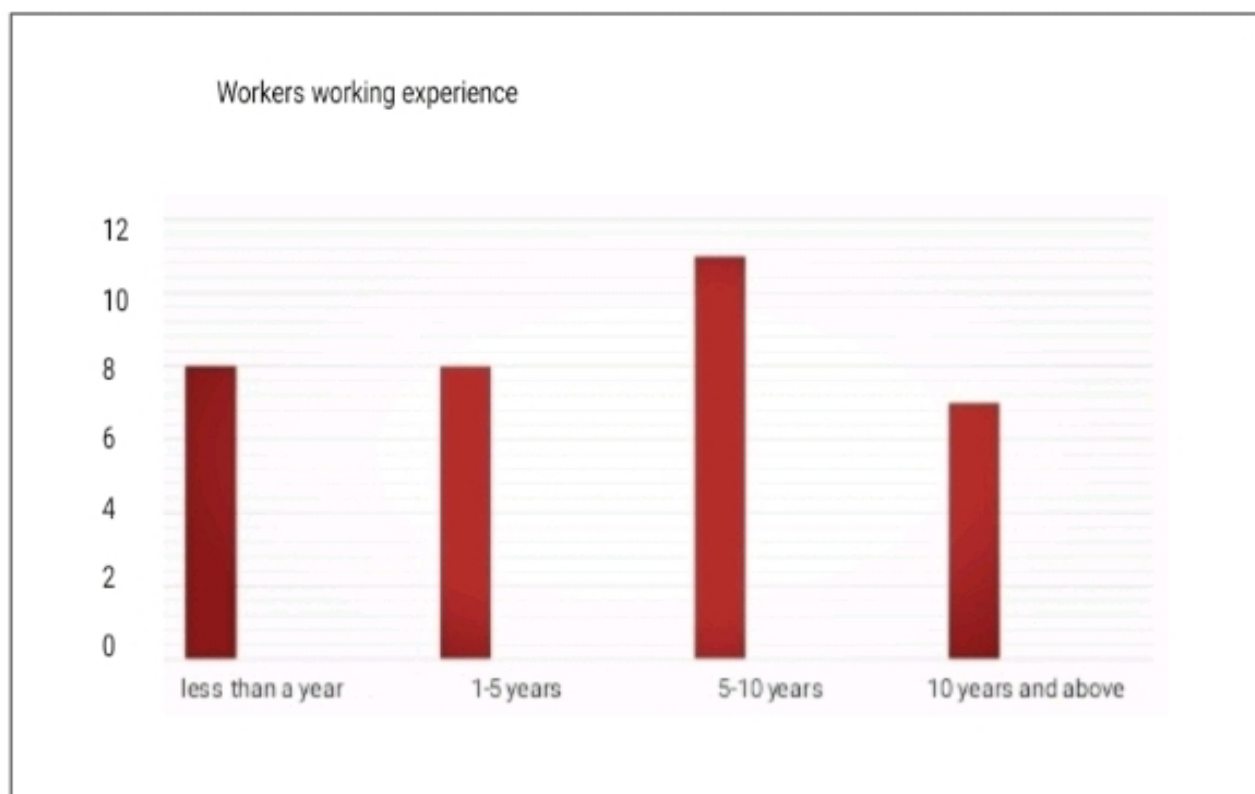
***Figure 4.2: Occupational level of respondent***

The researcher was interested in knowing the occupational level of the respondent because from the above it is interesting that revenue clerks answered the listed question as they are running up daily on collecting outstanding amounts. Therefore, this simply means that revenue clerks know which currently implemented strategy is more effective in recovering outstanding balances.

#### **4.4 Respondents of working experience**

Experience at the workplace was asked by the researcher because working for so long at an organization means an employee knows the developed and executed receivables collection strategies at MRDC. Employees who have been at the organization for long

service were expected to provide adequate answers on collection strategies as they



have years of experience known for recovering outstanding amounts. Question findings are presented in the diagram below.

***Figure 4.3: Working Experience***

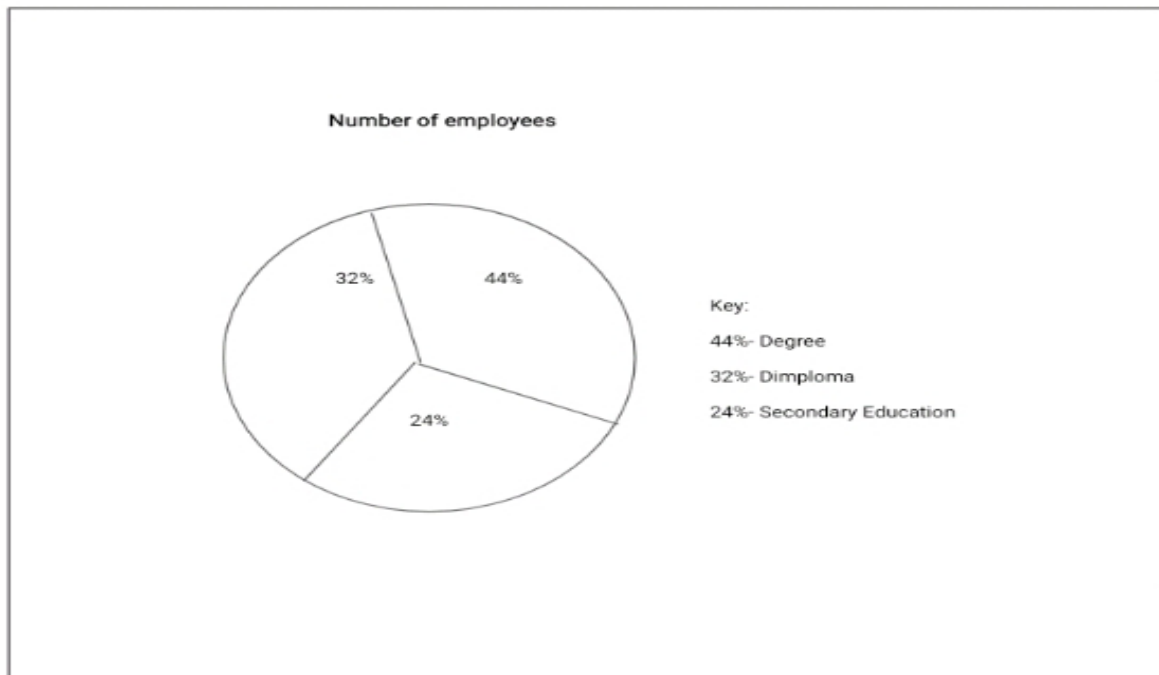
The results depicted in the figure indicate that the majority of employees have work experience ranging from 5 to 10 years. This suggests that these individuals possess substantial experience in the collection of outstanding balances, which can be attributed to the economic environment in which they operate.

#### **4.5 Educational level**

The educational background of the respondents was a significant factor in this study for it added credibility to the research, particularly about open-ended questions. The findings revealed that the Revenue department primarily consists of employees with a

degree-level education, accounting for 44% of the respondents. Following that, employees with a diploma-level education constitute 33% of the respondents. This indicates that MRDC has a professional workforce capable of providing high-quality responses. The educational level of employees holds importance as it enabled the researcher to analyze the effectiveness of the results regarding collection strategies. Previous studies have suggested a positive relationship between the collection of outstanding balances and educational level (Mbula et al., 2016). Employees with higher educational qualifications are more likely to provide informed responses on how to recover outstanding balances.

***Figure 4.4: number of employees***





## 4.6 Research instrument reliability testing

### Reliability statistics

***Table 4.1: Reliability statistics***

Cronbach's Alpha	Number of items
0.910	50

Since Cronbach Alpha testing was above 50 percent this shows that the research instrument was reliable and consistent. A result of 91.0% shows that the research instrument used was consistent and provided reliable results.

## 4.6 Research Question Responses

### 4.6.1 Current receivables collection strategies

***Table 4.2: Current receivables collection strategies***

Valid N (listwise) 6 sub-offices	Mean	Std. Deviation
Collection through courts	4.44	0.509
Internal accounts receivable collection team	4.45	0.499
Payment plans	3.66	0.891
Collection through third parties	2.04	0.185
Invoicing and follow-ups	4.14	0.814
Proactive collection strategies	2.21	0.501

MRDC is currently adopting six accounts receivables collection strategies to collect its outstanding amounts. Collection through courts, internal accounts receivable collection team, and invoicing and follow-ups were the most strongly used receivables collection strategies at MRDC with an average mean of 4 which is closer to 5 on the Likert scale

showing they were used to a greater extent. The use of an internal accounts receivables collection team was one of the most used collection strategies that speed the process of collection which was evidenced by (Karungari 2019). Proactive collection strategy and collection through third parties were the collection strategies with a mean of 2 which was closer to the minimum of 2, which depicts that the strategies were used to a lesser extent by MRDC cost centers. MRDC and its sub-offices moderately used payment plans as a collection strategy for outstanding amounts, with a mean of 3 which was between the maximum and minimum.

#### 4.6.2. Effectiveness of the currently used Receivables collection strategies

***Table 4.3: Effectiveness of receivables collection strategies***

Valid N (listwise) =6 cost centers	Mean	Std. Deviation
Collection through courts	4.59	0.501
Internal accounts receivable collection team	4.40	0.513
Payment plans	3.89	0.843
Collection through third parties	2.29	1.091
Invoicing and follow-ups	4.41	0.513
Proactive collection strategies	3.84	0.908

From the currently adopted receivables collection strategies it can be depicted that the most effective collection strategies are also the effective collection strategies used by MRDC. Collection through courts was the most effective collection strategy at MRDC with a mean of 4.59 and standard deviation of 0.501 which was closer to the maximum of 5 which means an average of most cost centers respondents that the collection strategy was most effective on the Likert scale. Internal accounts receivables collection team and invoicing and follow-ups were the second most effective receivables collection strategies with an average mean of 4.40. Furthermore, Wambugu (2019)

found that collection through third parties was the least effective with a mean of 2.29, and should be the last strategy to be implemented by the councils which contradicted the results of the study. Internal accounts receivable collection influences financial performance which was also evidenced by (Mapa. I 2020). (Mapa. I 2020) resulted in a positive coefficient of 0.143 and a significance of 0.00 on the relationship between the collection of outstanding balance through courts which was a positive result. This meant that the collection of outstanding balances through courts improved financial performance these same results were also further supported (Wambugu 2022). Payment plans and proactive collection strategies got an average mean of 3 which means that they were moderately effective thus between the most effective and less effective receivables collection strategies.

#### 4.6.3 Challenges faced the receivables collection strategies

***Table 4.4: Challenges faced by the receivables collection strategies***

Valid N (listwise) 6 cost centers	Mean	Std. Deviation
Lack of resources for collection	1.87	0.667
Cost of Controlling and supervising collection activities	1.88	0.744
specialized staff training	2.61	0.690
Mangers lose control over the collection process	2.31	0.681
contractual disagreements between the client and the collection agent	2.34	0.680
Manipulation or loss of accounting data	2.44	0.615
long periods for court execution procedures	2.60	0.569
electronic documentation not respected by the court	3.08	1.009
lack of conviction to alternative dispute resolution	2.64	0.518
Lack of current contact information for receivable	2.82	0.444

Difficult to distinguish between deliberate non-payment customers and those who would pay but suffer financial hardships	2.32	0.469
Nonpayment of court fees	3.73	0.446
Demands notices from the court not reaching the intended customer	3.03	0.666
Constant excuses by the customer	2.71	0.454

Table 4.4 shows the challenges that were faced by MRDC. From the table below it can be noted that non-payment of court fees was the highest challenge being faced by MRDC with a greatest mean of 3.73 with a standard deviation of 0.446 which means the challenge was to a larger extent. It can however be shown that most of the challenges by the way have an average mean of 2. Tavengwa M (2019) found out that the collection through courts was a time-consuming strategy as court execution procedures are too long and expensive however this contradicts with what the study found that MRDC as a whole was facing the challenge to a lesser extent. The least challenges faced by the MRDC cost centers were the lack of resources for collection and the cost of controlling and supervising collection activities which have mean values of 1 meaning that the challenges are being faced to a very lesser extent. The table also showed that there was the need for specialized training on the collection of outstanding amounts and this challenge was evidenced by having a mean of 2.61 which means if the internal receivable collection team was trained this would improve their collection process.

#### **4.6.4. Relationship between accounts receivables collection strategies and financial performance**

##### **4.6.4.1 Regression analysis**

The relationship between receivables collection strategies and the financial performance of MRDC was tested by the multiple regression analysis. A positive significance indicates that accounts receivables collection strategies influence the

financial performance of MRDC whereas a negative result shows that receivables collection strategy does not influence financial performance. Results on the relationship between the independent variables and dependent variables are to be discussed using the model summary, Anova, and Coefficient

key

us - currently used receivables collection strategies

ef-effectiveness of current receivables collection strategies

ch-challenges faced by the current receivables collection strategies

#### 4.6.4.1.1 Model Summary

***Table 4.5: Model Summary 1***

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.972	0.945	0.917	429993133.097535700
a. Predictors: (Constant), ch, us, ef				
b. Dependent Variable: Sales (profitability)				

The obtained regression model can account for 94.5% of the variation in financial performance brought on by receivables collection strategies and the rest was not looked at. According to the results in the previous table, the adjusted R squared was a coefficient of determination that demonstrates the variation in revenue collected as a result of changes in receivables collection strategies, as well as the effectiveness of receivables collection strategies and the difficulties they encounter. R square was 0.917, which indicated that the independent variables account for 91.7% of the total variance in the debtor's data collected. The R squared was 0.945, which indicated that 94.5% of the

variation in debtors was explained by receivables collection strategies, including their effectiveness and any difficulties they encountered.

**Table 4.6: ANOVA 1**

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18993038631098606000.000	3	6331012877032868900.000	34.241	.000
	Residual	1109364567066210560.000	6	184894094511035104.000		
	Total	20102403198164816000.000	9			
a. Dependent Variable: Sales (profitability)						
b. Predictors: (Constant), ch, us, ef						

From the above table, the alpha level was greater than the significance level ( $0.000 < 0.05$ ). This showed that receivables collection strategies variables and profitability concurrently had a remarkable effect on financial performance. Therefore 0% significance level reflects that the data collected is supreme in coming up with a conclusion on the parameters of the population because the significance value was less than 5% which was the p-value.

### Coefficient

**Table 4.7: Coefficient 1**

Coefficients				
Model	Unstandardized Coefficients		Standardized Coefficients	Ty
	B	Std. Error	Beta	
				Sig.

1	(Constant)	1645397916.082	484911711.930		3.393	.015
	us	-281733899.053	50432109.341	-1.321	-5.586	.001
	ef	1063127231.250	260186477.347	3.907	4.086	.006
	ch	-962214094.459	219484705.311	-3.610	-4.384	.005

a. Dependent Variable: Revenue

Independent Variable: us-currently used receivables collection strategies

: ef-effectiveness of current receivables collection strategies

:ch-challenges faced by the current receivables collection strategies

**Financial performance = a + us + ef + ch**

**FP = 1645397916.082 + (281733899.053us) + 1063127231.250ef + (962214094.459ch)**

The above reflects the results from multiple linear regression analysis with financial performance as the dependent variable. Independent variables (receivables collection strategies) that were under study were considered constant with a significance level that was below the alpha level of 0.05. From the findings, an increase in the effectiveness of receivables collection strategies would lead to an increase in revenue by **\$1063127231.250**, whereas an increase in the challenges receivables collection strategies results in a decrease of revenue by **\$-962214094.459** and an increase in used receivables collection strategies results on a decrease on revenue by **\$-281733899.053**. From this regression analysis, it can be noted that it's not about keeping funding for strategies to be used at MRDC but how effective these strategies are in recovering the lost income. From the above, it can be noted that financial performance can be influenced by the receivables collection strategies. If **us + ef + ch** are to be held constant assuming to be 0 the Std error will be **484911711.930**.

## **4.7 Research Findings on Interview**

The researcher conducted voice call interviews with 3 different revenue clerks and their opinions are summarized below.

### **4.7.1 Accounts receivables collection strategies that best influence the financial performance of MRDC.**

The respondents emphasized the importance of adjusting payment terms to ensure they are reliable and flexible. This would enable the presentation of receivables aging analysis to policymakers, facilitating the management of challenging clients and enabling easy reviews of the client database. These findings aligned with a study conducted by Karungari (2012), which highlighted the significance of clear payment methods and simple payment instructions to prevent the accumulation of outstanding amounts. The Finance Director emphasized the efforts put into the internal receivables collection team, which involves visiting customers with significant outstanding balances and offering them simplified payment alternatives. They suggested the development of an internal database to maintain financial records of agreed-upon payment alternatives with customers.

### **4.7.2 Effectiveness of receivables collection Strategies reduction of outstanding balances**

According to the Finance Director, the most effective receivables collection strategies within the organization were the collection of accounts receivables through courts and invoicing, followed by diligent follow-ups. They stated that litigation measures were enforced against customers with substantial debts, and payment plans were negotiated through the court system. The internal receivables collection team was also highlighted as being proactive in collecting outstanding balances and engaging in promotional activities for customers who cleared their debts. These findings aligned with the study by Karungari (2021), which identified the receivables collection team (mean = 2.89) and collection through courts (mean = 1.57) as effective collection strategies in local authorities. Overall, the interview findings suggested that adjusting payment terms, developing a reliable internal receivables collection team, and utilizing collection through courts and invoicing were key strategies that positively influenced the financial



performance of MRDC.

#### **4.7.3 Solutions to challenges being faced by MRDC when implementing accounts receivables collection strategies**

The Finance Director proposed that there should be other payment alternatives for the non-payment of rates and levies. They emphasized that consumers who produce agricultural products should sell crops to the Grain Marketing Board (GMB) and MRDC would negotiate with the GMB. They added that they will do campaigns, and use phone calls to the intended customer to notify customers of outstanding balances which is a solution for informing customers on court notices that were not reaching the intended customer. It was added that there was a need for specialized training on the internal accounts receivables collection team, the revenue clerks proposed receivables collection agencies to help the team how collect outstanding balances without harsh conditions. The Finance Director added that there was a need to create an internal control system to be used by the internal accounts receivable collection team which helps them monitor and controlling of customers with outstanding amounts. This was evidenced by (Kevin and Omagwa 2021) that a sound internal control system works in hand with effective receivables collection strategies. Furthermore, there was a need for customers with outstanding balances to come to MRDC and have some discussions on payment plans.

#### **4.8 Chapter Summary**

Data collected from the research instruments used (questionnaires and interviews) that related to the research topic under study were analyzed in the forms of pie-chart, graphs regression analysis, and use of mean and standard deviation. Research findings were transliterated and conferred about previous studies. The following chapter discusses on Summary, conclusions, and recommendations for the research problem.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

The findings summarized in this chapter are based on the data presented in the previous chapter (Chapter 4). Recommendations regarding the research topic are discussed in this chapter. The main objective of this chapter is to provide a summary of the study and offer recommendations that could be useful for MRDC as a whole. The chapter will also highlight areas that require further research.

#### **5.1 Research summary of findings**

The research aim was to investigate the impact of accounts receivables collection strategies on the financial performance of MRDC. The research was focused on MRDC's cost centers and examined data from 2020 to 2024. The research design employed was descriptive, and regression analysis was undertaken. The population and sample size comprised 6 cost centers of MRDC. The research data was analyzed using SPSS version 21.

##### **5.1.1 Current receivables collection strategies**

The research study found that the major receivables collection strategies used by MRDC's cost centers include collection through courts, an internal accounts receivables collection team, invoicing, and follow-ups.

##### **5.1.2 Effectiveness of current receivables collection strategies on the financial performance of MRDC**

The research findings indicated that the most effective receivables collection strategies in MRDC's cost centers were collection through courts, change of payment terms and payment plan, and the utilization of an internal accounts receivables collection team.

### **5.1.3 Challenges being faced by the current receivables collection strategies**

The research found that the greatest challenge faced by MRDC's cost centers was non-payment of court fees. However, the research also found that most of the challenges faced by the organization were relatively minor based on the responses provided by the respondents.

### **5.1.4 Other receivables collection strategies that can be used at MRDC**

#### **5.1.4.1 Garnish customer accounts**

Garnishment is a court-ordered process that instructs a third party to deduct money from a bank account or other assets to pay off an unpaid debt. To garnish a customer's wages, a creditor typically needs to obtain a court order proving that the debtor owes money and has missed payments. This strategy could be effective for commercial workers, public institutions, miners, and farmers before they receive their compensation from GMB.

#### **5.1.4.2 Debt Factoring**

Debt factoring allows businesses to instantly release cash held in unpaid invoices without having to wait for the usual payment terms. In this process, a debt factoring company purchases the invoice from the business, pays them a percentage of the total amount charged to the client, and assumes responsibility for obtaining payment from the customer.

### **5.2.1 Accounts receivables collection strategies which best influence the financial performance of MRDC**

The research found that MRDC cost centers should invest in their internal receivables collection team. It was added that the team should make strong internal controls that work in hand with the collection strategies that can be implemented by the organization. To add on, the cost centers should give alternative payment terms that help reduce their outstanding balances

### **5.2.2 Effectiveness of receivables collection strategies in reducing outstanding balances**

The research found that collection through court was one of the most effective

receivables collection strategies for small-scale miners and farmers who used postpaid for production. To add on, the internal accounts receivable collection team was found effective in companies with huge debts such as commercial businesses. Invoicing and follow-ups were also found effective as the local authority would order payment plans so that debt would be reduced.

### **5.2.3 Solutions to challenges being faced by MRDC when implementing accounts receivables collection strategies**

The research found that there was a need for viable and constant notifications to be made to inform customers of debt before engaging with the court. To add on, there was a need for an internal control system that supervises and monitors receivables collection strategies. Furthermore, the cost centers should engage in training its internal receivables collection team so that it would be equipped with specialized skills in collecting outstanding balances to customers in a manner that protects customer relationships.

### **5.3 Conclusions**

The findings of the research make the researcher conclude that MRDC cost centers should invest much in funding training of the receivables collection team so that they become equipped with specialized skills for collecting receivables in any environmental situation. To add on MRDC should search for more advanced ways of payment terms that could be used by receivables to pay their outstanding amounts.

The researcher concluded that the main receivables collection strategies, such as the internal receivables collection team and collection through court were not adequately funded, which contributed to the MRDC cost centers' inability to meet debt collection targets. The underwhelming performance of receivables collection strategies of MRDC cost centers was also attributed to the fact that the strategies were developed to correspond with the different client types. In addition, the study's findings indicated MRDC's inability to implement other receivables collection strategies. This was because the researcher concluded that the inability of MRDC cost centers to implement other receivables collection strategies was due to a lack of funding for the debt collection strategies.

## **5.4 Recommendations**

From the above findings, it has been noted that the entity should implement other receivables collection strategies as garnishing commercial accounts and debt factoring. It has been found that most of the commercial businesses owed millions to MRDC and other public institutions so MRDC should request a court order to garnish bank accounts of those commercial businesses at least 30% of their monthly revenue. Furthermore, farmers' bank accounts should be garnished before they receive compensation on the crops, they would have sold to GMB.

To add on MRDC should do promotions for those clients who have long outstanding debts. MRDC for instance should offer discounts of 5% on outstanding balances. Promotions such as discounts best suit residents in Mazowe district, farmers, and as well small-scale miners. To add on, MRDC can offer monthly reduced rates discounts on those customers who would have paid earlier when demands from the court circulate.

Finally, MRDC should develop a strong internal control system and as well a database that assists the internal receivables collection team. The database should have customer details, such as contact details and physical address, which assist the team in sending notices so that the notice reaches everyone.

## **5.5 Suggested areas for future study**

The study research was centered on determining the impact of receivables collection strategies on the financial performance of MRDC. Future research should focus on developing a comprehensive model for receivables collection strategies. The goal of this model should be to ensure that each collection strategy implemented by the creditor (MRDC) provides a tangible benefit to their financial performance. To achieve this, the model should account for two key factors. First, it needs to consider the current state of the broader economy, as economic conditions can impact a debtor's ability to repay. Second, the model should incorporate the time value of money concept, which recognizes that the same amount of money has a different value depending on when it is received. By incorporating these economic and financial factors, the model could help creditors like MRDC set collection targets that are realistic and achievable. This, in turn, would allow them to more effectively boost their overall financial performance through

their receivables collection efforts.

## Reference

1. Alexander, S., (2018). Export-Import, *Theory Practices and Procedure*; Haworth Press Inc. New York.
5. Brigham, F, Houston J. F, Eugene F., (2019). *6th Edition Fundamentals of Financial Management; Concise Edition*. South Western.
2. Brigham, F, Houston J. F, Eugene F., (2019). *6th Edition Fundamentals of Financial Management; Concise Edition*. South Western.
3. Chang, C.C., 2018. Cash conversion cycle and corporate performance: Global evidence. *International Review of Economics & Finance*,
4. Cheng, I.H., Severino, F. and Townsend, R.R., 2021. How do consumers fare when dealing with debt collectors? Evidence from out-of-court settlements. *The Review of Financial Studies*, 34(4),
5. Cooper, B., (2018). *Accounts receivable, Strategies, Experiences and Intentions, Global supply management Aberdeen Group Inc*.
6. Hartman, J., (2019). *Analysis of Receivable Management*; Retrieved November 18, 2012 from <http://www.shodganga.inflibnet.ac.ic/bifstream>.
7. Kwasira, J., (2019). *Analysis of Receivable Management*; Retrieved November 18, 2012 from <http://www.shodganga.inflibnet.ac.ic/bifstream>.

8. Mainardes, E.W., Alves, H. and Raposo, M., 2011. Stakeholder theory: issues to resolve. Management decision.
9. Mapa, I., 2017. An Investigation on internal debt collection unit strategies and their impact on financial performance of an organization: A case study of Chaminuka Rural District Council in Shamva District, Mashonaland Central Province from 2000-2015 (Doctoral dissertation, BUSE).
10. Okafor, A., Adeleye, B.N. and Adusei, M., 2021. Corporate social responsibility and financial performance: Evidence from US tech firms. Journal of Cleaner Production, 292, p.126078.
- Latham, J., Brandenburger, E., Shepherd, S.A., Menon, B.R. and Micklefield, J., 2018. Development of halogenase enzymes for use in synthesis. Chemical reviews, 118(1),
11. Oseifuah, E.K. and Gyekye, A., 2017. Working capital management and shareholders' wealth creation: Evidence from non-financial firms listed on the Johannesburg Stock Exchange. Investment Management and Financial Innovations, 14(1),
12. Ouma, R. and Kombo, H., 2016. Effect of organizational learning on organizational performance of food manufacturing firms in Nairobi County, Kenya. European Journal of Business and Management, 8(30),
13. Rofianti, B.J., 2020. *Cash Conversion Cycle Strategies to Avoid Business Failure* (Doctoral dissertation, Walden University).
14. Schwarcz, S.L., 2019. *Proactive Resolution of Sovereign and Subnational Debt*. U. Pa. J. Bus. L.,
15. Sigamoney, C., Linganiso, X. and Karodia, A.M., 2014. *Assessing the requirements and benefits of debt collector training in South Africa*. International Journal of Accounting Research, 42(1835),
16. Wambugu, M.K., 2012. The effect of debt collection strategies on financial performance of local authorities in Kenya (Doctoral dissertation).
17. Wang, S., Wang, H., Wang, J. and Yang, F., 2020. Does environmental information disclosure contribute to improve firm financial performance? An examination of the

underlying mechanism. Science of the Total Environment.

18. Zivanai, O. et al. (2014) 'An Assessment of Revenue Collection Constraints in Zimbabwean Local Authorities: A Case Study of Bindura Municipality (2009-2013)', International Journal of Innovative Research and Development, 3(9), pp. 24–33



## **APPENDIX 1: QUESTIONNAIRE**

Faculty of Commerce

Department of Accountancy

174 Chimurenga Road off Trojan Road

Bindura

I am B203073B, a student enrolled at Bindura University of Science Education. Currently, I am pursuing a Bachelor of Accountancy Honors Degree and conducting a research study on the "Impact of Accounts Receivables Collection strategies on the financial performance of Mazowe Rural District Council." The main objective of this study is to gather data on the strategies employed by MRDC for collecting accounts receivables and their impact on the council's financial performance. I assure you that the information you provide will be treated as confidential and used solely for academic purposes. Your participation in completing the questionnaire would be highly appreciated. Any information collected will be securely held by Bindura University of Science Education and used exclusively for academic purposes.

Thank you for your cooperation

Yours faithfully

**B203073B**

**Phone number 0773583439**

**Email: b203073b@gmail.com**

## Instructions

The name should not be written on the questionnaire.

A tick is only appropriate for the suggested response.

Fill your responses in the provided spaces.

### Part A: Demographic information

MRDC cost center.....

What is your Occupational level?

Department	tick
Revenue officer	
Accounts clerk	
Internal debt collectors	
Finance Director	

For how long have you worked for the organization?

Years	tick
Less than a year	
1-5 years	
5-10 years	
10 years and above	

**What is your educational level?**

Level	tick
Secondary Education	
Diploma	
Degree	

If Other Specify.....

## SECTION B

### Part A

Which of the following receivable collection strategies are being used in the organization?

To what extent are the following accounts receivables collection strategies being used in the organization? 1) Very Lesser Extent 2) Lesser Extent 3) Neutral 4) Large extent

Very Large Extent

Accounts Receivable collection strategy	1	2	3	4	5
Collection through courts					
Internal accounts receivable collection team					
Payment plans					
Collection from third parties {outsourcing}					
Invoicing and follow-ups					
Proactive collection strategies					

## PART B

How effective are accounts receivable collection strategies in recouping unpaid amounts at MRDC?

1)not effective 2) less effective 3) moderate 4) effective 5) most effective

Accounts Receivable collection strategy	1	2	3	4	5
Collection through courts					
Internal accounts receivable collection team					
Payment plans					
Collection from third parties {outsourcing}					
Invoicing and follow-ups					
Proactive collection strategies					

## PART C

To what extent does MRDC face the following challenges when implementing accounts receivable collection strategies?

Very Lesser Extent 2) Lesser Extent 3) Neutral 4) Large Extent 5) Very Large Extent

Accounts Receivable Collection Strategy	1	2	3	4	5
Internal accounts receivable collection team					
Lack of resources for collection					
Cost of Controlling and supervising collection activities					

specialized staff training					
<b>Collection from third parties {outsourcing}</b>					
Mangers lose control over the collection process					
contractual disagreements between the client and the collection agent					
Manipulation or loss of accounting data					
<b>Collection through courts</b>					
long periods for court execution procedures					
electronic documentation not respected by the court					
lack of conviction to alternative dispute resolution					
poor mediator skills					
<b>Invoicing and follow-ups</b>					
Lack of current contact information for receivable					
Difficult to distinguish between deliberate non-payment customers and those who would pay but suffer financial hardships					
Legal action notices not reaching the intended customer					
Constant excuses by the customer					

If other specify

.....

.....

.....

## PART D

Other than the above-mentioned accounts receivables collection strategies, what other

collection strategies can be used at MRDC?

.....

.....

.....

**Thank you for giving attention to the above questions**

## **Appendix 2: INTERVIEW GUIDE**

- i. What are the accounts receivable collection strategies that best enhance the financial performance of MRDC?
- ii. In what way are effective accounts receivable collection strategies in recovering outstanding amounts at MRDC?
- iii. What are the operational challenges being faced by MRDC when implementing accounts receivable collection strategies?
- iv. What other accounts receivables collection strategies can be implemented at MRDC?