Accounts Receivables Management: Insight and Challenges

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Abstract

This paper studied how Zoomlion Company Limited manages its accounts receivables. Based on multiple linear regression analysis, Kendall coefficient of concordance and One sample t-test, the result shows effective credit control systems by the company. However, poor monitoring and lack of effective follow up measures were the key challenges to debt management. The paper recommend stricter adherence to the credit policy and vigorously pursued effective recovery strategies and further prescribed best practices in accounts receivables management.

Key Words: Accounts Receivables, Debt Recovery Strategies, Waste Management, Ghana

JEL classification: G31; G32

Introduction

One of the purposes of setting any business is to maximise profit, hence sales revenue will improve the profitability of that company. Selling by cash is the most ideal way of improving cash inflow but at times a company must sell on credit which is normally termed as trade credit. Effective receivables management and the ability of a company to collect the credit must be the prerequisite of selling on credit otherwise it will affect the liquidity and the sustenance of the company. As suggested by Paramasivan and Subramanian (2009) most businesses sell on credit or by cash. Irrespective of best efforts of organisations to do effective credit assessment it is difficult to avoid credit problems as indicated by Kimmel *et al.* (2011). Burt (2004) reaffirmed the essence of comprehensive credit assessment of customers.

According to Fabozzi and Peterson (2003) whenever a company decide to sell to customers on credit it create accounts receivables. Repayment of debt is critically to the liquidity position of any company, it is important for debtor and creditor to agree on how the debt will be settled before the debt must be granted as advised by Finlay (2008). In management of debtors, it is imperative to ensure that repayment of the credit sale is done within the agreed period and most importantly with the minimum administrative cost to the company as suggested by Paramasivan and Subramanian (2009). Industry specific and kind of customers can influence a company to consider credit sales. In managing receivables among others there must be consideration in the following as suggested by Mecklin (2007) such as creditworthy of the customer, monitoring of debt, sanction plan for defaulters, a policy on bad debt and possibly factoring the debt.

Credit policy must contain a detailed procedure for granting credit and its repayment as suggested by Burt (2004). Reuvid (2010) explained that credit policy must guide credit management and more so ensure that there is a balance between a liberal and stricter credit. Brigham and Ehrhardt (2011) reaffirmed that credit policy must capture credit terms, period for payments and policy on the debt collection. Credit policy guides credit management and must include credit terms and standards with debt collection approach as advised by Burt (2004). Brealey *et al.* (2011) recommended that in dealing with debtors companies must establish the following: assessment of the credit worthiness of the customer, credit terms and effective collection procedure.

Watson and Head (2013) stressed that the expenses of debt collection must not surpass the amount to be recovered. Paramasivan and Subramanian (2009) indicated that it will make a business sense if companies can charge interest on overdue repayment by customers to push them to pay on time. Kimmel *et al.* (2011) pointed out that there is the need for a company's collection policy but without an efficient system of debt collection in place it will affect repayment on time negatively. Watson and Head (2013) recommended that it is important for companies to get it right between strict collection policy and the real benefits ensuing from a decent management of credit. Brealey *et al.*, (2011) suggested that smaller companies without specialised credit department can hire debt collection agents to help them in that direction. Adelman and Marks (2014) recommended that factoring is an option businesses can use to get their money back if it is becoming difficult to recover the debt through the internal systems. Brigham and Ehrhardt (2011) indicated that as much as there is the need of credit policy for a company without effective monitoring system to check the observance of the credit policy repayment of the credit can be delayed or will not be paid at all. Effective follow-up measures on the debtors list of a company does not only enhance the opportunity of getting the money on time it also puts the debtors on their alert to fulfill repayment on time as suggested by Kimmel *et al.* (2011) and Burt (2004). This paper examines accounts receivable management of Zoomlion Ghana Limited.

Research and Methodology

Study Setting

Sunyani Municipal was the study area which has Sunyani as its regional capital of Brong-Ahafo Region. Sunyani recorded 123,224 representing 5.3% of the region's total population during the 2010 Population & Housing Census. Public dump in containers as a method of solid waste accounted for 52.5% whereas 17.4% dumped waste in the open space and the other 10.7% get rid of their solid waste through burning. Zoomlion Ghana Limited is into waste management and environmental sanitation businesses in Ghana and most part of Africa. It has 3000 core staff and over 85,000 workers under public private partnership.

Methodology

Primary data was used in this study and it was collected from the staffs of Zoomlion Ghana Limited in Brong Ahafo Region at the company Regional Office through a self-administered structured questionnaire. A five likert scale was used to indicate the responses from the staffs to measure the debt management activities of the company such as knowledge on credit policy, debt management, debt recovery strategies and challenges in debt collection. Secondary data was used on the debt recovery trend between 2009 and 2013. The population for the study is made up of the entire workers. The targeted departments included finance, accounting and the credit section. Purposive sampling was used to select thirty-two respondents as the sample size.

Analytical framework

Mean and Standard Deviation aided the explanation of the respondents characteristics through the frequency tables and percentages on their knowledge on Zoomlion Company Limited credit policy. One Sample (*t*) analysis was used on the respondents view on the nature of debt collections.

Hypotheses

The null hypothesis (H_0) and (two-tailed) alternative hypothesis (H_1) of the one sample T test is expressed as:

$H_0: \mu = 0$, [Ineffective nature of debt collection]

$H_1: \mu \neq 0$, [Effective nature of debt collection]

The decision rule involves comparing the hypothesized population mean (i.e. the test value) and expected mean (test statistic). The result is considered statistically significant if the p -value is less than chosen alpha level. The null hypothesis must be rejected.

The test statistic for a One Sample (t) Test is denoted (t), which is calculated using the following formula:

$$t = \frac{x - \mu}{s_x} \quad (1)$$

Where:

$$s_x = \frac{s}{\sqrt{n}} \quad (2)$$

Where:

μ = proposed constant for the population mean

x = sample mean

n = sample size (i.e., number of observations)

s = sample standard deviation

S_x = estimated standard error of the mean

Kendall's coefficient of concordance (W) analysis was used to rank the items identified on debt recovery strategies on debt management. The degree of agreement of the rankings by the staffs was then measured. W ranges from 0 to 1. In deriving W , let T_i represent the sum of ranks for each debt recovery strategies being ranked. The variance of the sum of ranks is given by:

$$Var_T = \frac{\sum T_i^2 - (\sum T_i)^2 / n}{n} \quad (3)$$

Where Var denotes variance and n denotes the number of each debt recovery strategies on debt management. The maximum variance of T is given by

$$m^2 (n^2 - 1) / 12 \quad (4)$$

Where m is the number of respondents. The formula for Kendall's coefficient of concordance W is given by

$$W = \frac{(\sum T_i - (\sum T_i)^2 / n) / n}{m^2 (n^2 - 1) / 12} \quad (5)$$

By simplifying equation 3 above, the result in the computational formula for W as:

$$W = \frac{12 [\sum T_i^2 - (\sum T_i)^2 / n]}{mn^2 (n^2 - 1)} \quad (6)$$

In addition the study made used of multiple regression analysis to establish the relationship and the significance of the independent variables on monitoring of debt as part of the challenges in debt collection procedure. The regression equation is stated as:

$$PM = \beta_0 + \beta_1 LPE + \beta_2 PCT + \beta_3 EFL + \varepsilon_t \quad (7)$$

Where β_0 represents the constant of the intercept and ε_t is the error term. PM is the dependent variable which represents monitoring of debt. Lack of proper evaluation, poor credit terms and lack of effective follow up measures are represented by LPE, PCT and EFL respectively. The independent variables are expected to have a positive relation with poor monitoring.

Reliability Analysis

Whenever a scale is used for a study, it is important to find out that the scale is reliable. This has to do with the scale's internal consistency.

Table 1: Scale Reliability

Theme	No. of items	Cronbach Alpha
Nature of debt collection	9	0.985
Debt recovery strategies	6	0.941
Total number of items	15	

The Cronbach's alpha coefficient are 0.985 and 0.941 respectively as shown in Table 1 which are above 0.70 which is normally acceptable by researchers as a good reliability of a scale to indicate internal consistency.

Results and Discussion

Demographic Information of the Respondents

The study showed that the percentage of males (62.5%) was higher than the females (37.5%) in the Zoomlion Ghana Company Ltd. Dominations of male workers in the formal sector than the females is common knowledge in most studies in Africa. The age range of 31-40 years recorded (62.5%) as an indication of youth workforce which means their ability and willingness to spend more years with Zoomlion Ghana Limited.

Table 2: Demographics of the respondents

Variables	Frequency (N =32)	%
Gender		
Male	20	62.5
Female	12	37.5
Length of service (years)		
< 3	9	28.1
3-6	22	68.8
7-10	1	3.1
Level of Education		
Master Degree	3	9.4
Bachelor Degree	20	62.5
Vocational	4	12.5
Secondary	5	15.6
Age (years)		
21-30	9	28.1
31-40	20	62.5
41-50	2	6.3
51-60	1	3.1

Source: Fieldwork, 2015

In relation to length of service at Zoomlion Ghana Limited in Brong Ahafo Region it shows that 68.8% of the respondents had been with Zoomlion between three and six years. A possible explanation is that the

company is relatively young in nature and recruitment of workers for expansion of its operations. As shown in Table 2, 28.1% have spent less than three years whilst those who have spent 7-10 years accounted for 3.1%. Respondents having first degree recorded (62.5%) while 15.6% had attained educational qualification up to the secondary level, 12.5% were having vocational qualification whilst only 9.4% of the total respondents had Master degree qualification which reflected on the administrative and technical staff largely. Staff educational level if use wisely and dedicatedly is likely to improve the performance of the company

Staff Knowledge on the Credit Policy of Zoomlion Ghana Company Limited

Figure 1 reveals respondents views on the existence of credit policy of the company. A significant percentage of the respondents (56%) admitted that the company has a credit policy, 31% said “no” whilst 13% of the total respondents claimed they are not sure whether the company has gotten a credit policy. The result is worrying as 44% of the respondents who has a role to play in debt management are not aware of the existence of the company credit policy. The implication is that the respondents will not help the course of the company in the sense that they cannot even sell the product and services to the potential customers of the company and importantly existing customers cannot take advantage of the credit policy because the company representative is not aware of it. Conventionally the level of a worker can also determine his/her access to information. The result is in partial alignment with Reuvid (2010) where he indicated that a good credit policy should help a company so that impact on cash flow will not be negative if the credit policy is communicated well to staff for it implementation.

The company should do more in the areas of training, education and improve the internal communication to furnish workers who are directly involve in debt management to be aware of important information to make their work effective and thereby enhancing the company fortune in terms of performance. Moreover there was a further probe beyond the existence of the credit policy but their knowledge on the credit policy, it was revealed that 41% of the respondents had good knowledge about the credit policy, 31% had average knowledge, 6% had a very good knowledge about the credit policy and 3% also had an excellent knowledge of the policy. 19% of the respondents were poor concerning the knowledge on the credit policy of Zoomlion Ghana Limited (Figure 2).

Figure 1. Credit Policy of Zoomlion Ghana Company Limited

Source: Fieldwork (2015)

Figure 2: Knowledge of the Credit Policy of Zoomlion Ghana Company Limited

Source: Fieldwork (2015)

It can be inferred that respondents' knowledge on the credit policy can be dependent on the respondents' level of education in the company. This finding confirms the earlier assertion that level of education in an organisation plays a vital role in determining variables such as the existence of policies and its implementation.

Nature of Debt Collection in Zoomlion Ghana Limited

This section examined the respondent's views on the nature of debt collection in Zoomlion Ghana Limited.

Table 3: One Sample Statistics on nature of debt collection

Theme	N	Mean	SD	Std Error Mean
Zoomlion Ghana Ltd has an effective mechanism for debt collection	32	3.78	1.099	.194
Zoomlion Ghana has a sound credit policy that serve as a guide to its credit delivery	32	3.78	1.338	.236
The Company has various categories of debts in its books	32	3.78	1.184	.209
The Company has specific challenges hindering the effective debt collection of its debts	32	3.75	1.344	.238
Challenges in debt collection are being addressed	32	2.75	1.437	.254
The company provides training for its employees and management staff in debt collection	32	3.72	1.301	.230
Employees have the skills, expertise etc in debt collection	32	3.78	.975	.172
Zoomlion undertakes formal and rigorous annual evaluation of its debt collection	32	3.56	1.105	.195
Control policies are in place for debt collection	32	3.38	1.264	.223

Source: Fieldwork (2015)

Four factors had the highest mean of 3.78 and these include effective mechanism for debt collection, sound credit policy that serve as a guide to credit delivery, various categories of debts in its books and employees skills, expertise in debt collection as shown in Table 3. In terms of degree of consensus under the standard deviation, employees have the skills and expertise in debt collection (SD = 0.975) and (SD = 1.099) for an effective mechanism for debt collection. The result suggests adherence of certain debt management practices in the areas of having a sound credit policy, mechanism of collecting debt and employee's expertise in debt collection. This seems to agree with postulations of Brigham and Ehrhardt (2011) that an effective credit policy should be able to educate both the customers and employees of a company of the need to understand the credit policy and more importantly a stricter adherence to its contents. Reuvid (2010) stressed that a good credit policy can serve as a competitive tool to attract and retain customers.

Table 4: One Sample Test of nature of debt collection

Views on the nature of debt collection	Test Value = 0					
	t	df	Sig (2-tailed)	Mean Difference	95% confidence interval of the difference	
					Lower	Upper
Zoomlion Ghana Ltd has an effective mechanism for debt collection	19.456	31	0.000	3.781	3.38	4.18
Zoomlion Ghana has a sound credit policy that serve as a guide to its credit delivery	15.991	31	0.000	3.781	3.30	4.26
The Company has various categories of debts in its books	18.064	31	0.000	3.781	3.35	4.21
The Company has specific challenges hindering the effective debt collection of its debts	15.783	31	0.000	3.750	3.27	4.23
Challenges in debt collection are being addressed	10.827	31	0.000	2.750	2.23	3.27
The company provides training for its employees and management staff in debt collection	16.170	31	0.000	3.719	3.25	4.19
Employees have the skills, expertise etc in debt collection	21.939	31	0.000	3.781	3.43	4.13
Zoomlion undertakes formal and rigorous annual evaluation of its debt collection	18.232	31	0.000	3.563	3.16	3.96
Control policies are in place for debt collection	15.109	31	0.000	3.375	2.92	3.83

Source: Fieldwork, 2015

Note: Cronbach's Alpha = 0.985 or 98.5%, number of items = 9. Sample (N=32).

The study identified nine factors under the nature of debt collection in Zoomlion Ghana Limited in Table 4 using One Sample t-Test to analyse it. The positive *t* value of all the factors (19.456, 15.991, 18.064, 15.783, 10.827, 16.170, 21.939, 18.232 and 15.109) respectively for effective mechanism for debt collection, sound credit policy, categories of debts in its books, challenges hindering the effective debt collection, addressed collection challenges, training and management staff in debt collection, rigorous annual evaluation of debt collection and control policies are in place for debt collection. The *p-value* from this statistic is 0.000 and that is less than 0.05 (the level of significance for the test). Since $p < 0.05$, the result reject the null hypothesis that the sample mean is equal to the hypothesis population mean and conclude that all the nine factors are statistically significantly different from the average. Based on the result it can be said that Zoomlion Limited have a practical approach to debt collection. Kimmel *et. al.* (2011) indicated that efficient system of debt collection should be the basis for granting credit to customers. Paramasivan and Subramanian (2009) suggested that companies must charge interest on overdue accounts to encourage timely payments by customers. This is in alignment with the result especially on enforcing the collection period.

The Debt Recovery Trend between 2009 and 2013

The study showed that majority of the respondents (69.2%) recovered 50-75% debts in 2011, 59.3% accounted for debts (50-75%) recovered in 2010 whilst a significantly lower number of respondents recovered 50-75% debt in 2012. However, there was an increase in debt recovery (50-75%) in 2013.

Figure 3: Debt recovery trend over the last five years by Zoomlion Company Limited.

The debt recovery trend of 50-75% is a negative slope with weak co-efficient of determination ($R^2 = 0.0688$). This indicates that the debt recovery of 50-75% does not differ over the years (2009, 2010, 2011, 2012 and 2013). The debt recovery trend of 25-50% indicated a positive correlation with $R^2 = 0.3929$. This indicates that there is an increase in the number of debts being recovered over the five year period. In 2012, there was an increase in the debt recovery of 25-50% (51.9%). Moreover, the debt recovery trend (0-25%) was linear and this shows uniform recovery over the five year period (Figure 3).

Debt Recovery Strategies

Table 5: Coefficient of Concordance (W) on debt recovery strategies

Factors	Ranking
Complete withdrawal of service	1
Proper follow up	2
Debt insurance	3
Collecting agencies	4
Factoring	5
Legal prosecutions	6
Number of respondents	32
Coefficient of concordance (W)	0.523 (52.3%)
Cronbach's Alpha	0.941 (94.1%)
Number of items	6

Source: Fieldwork 2015

The study identified six main debt recovery strategies of debt management at Zoomlion Ghana Limited. These are: complete withdrawal of service, proper follow up, debt insurance, collecting agencies, factoring and legal prosecutions. The respondents were asked to rank these constraints (effects) as indicated in Table 5. The F test for concordance (W) between the rankings of the factors on debt recovery strategies is (52.30%) which is acceptable. It was shown that the most important factor of the debt recovery strategies

was complete withdrawal of service as respondents believed that this will force customers to come and settle for the debt as they will need the services of Zoomlion, moreover this also help the company to come out with new payment plan for defaulted customers. This result aligned with Brealey *et al.*, (2011) which emphasizes on effective debt collection management.

Respondents saw the need of proper follow up as a strategy of debt recovery as through interpersonal relationship the debt can be retrieved or through pressure from the debt collectors the money can be paid. The follow-up strategy was ranked second as it gives the debt collectors the reasons why the money is not paid so the company through their debt collectors can come out with new ways of getting the money from debtors. This therefore reflects the views of Mecklin (2007), and Burt (2004) indicated the need for keeping proper follow-up measures to retrieve the money owed by customers. Moreover, Brigham and Ehrhardt (2011) affirmed that a monitoring system is also important to keep tabs on whether the terms of credit are being observed.

It follows by debt insurance, collecting agencies, factoring and lastly legal prosecution. It is clear that the overall result of Table 5 gives a mixed reaction on the debt recovery strategies on debt management of Zoomlion Ghana Limited. The Coefficient of Concordance (*W*) 52.30% is an indication that a little over the average of the respondents agreed on the ranking in relation to the debt recovery strategies. This can be inferred as partial effectiveness of the debt recovery strategies which management of Zoomlion Ghana Limited must reviewed the debt recovery strategies for a better result to improve the company's liquidity position

Regression Results of Challenges of Collecting Debt

Table 6: Data Output From Estimation Of Multiple Regression On Challenges In Collecting Debt

Model	B	Standard Error	Beta	t-value	p-value	Collinearity statistics	
						Tolerance	VIF
Constant	0.472	0.271		1.740	0.093		
Lack of proper evaluation (LPE)	0.158	0.172	0.261	0.920	0.366	0.154	6.474
Poor credit terms (PCT)	0.122	0.149	0.201	0.818	0.420	0.206	4.857
Lack of effective follow-up measures (EFL)	0.274	0.156	0.387	1.762	0.089	0.259	3.867
R Square = 0.651, Adjusted R Square = 0.613, F value = 17.374, F significance = 0.000, *p < 0.1, **p < 0.05, *** p < 0.01, Durbin-Watson statistics =0.481							

Source: Author's computation, 2016

From the regression results in Table 6, the adjusted R^2 , also called the coefficient of multiple determinants, is the percentage of the variance in the dependent variable explained uniquely or jointly by the independent variables (lack of proper evaluation, poor credit terms and lack of effective follow-up measure) and is 61.3%. This means that 61.3% of the changes in the monitoring of debt collection will be explained by the changes in the independent variables and control variables in the model. The remaining 38.7% of the changes in the revenue from debt collection will be explained by other factors not in the model. The adjusted R^2 gives more accurate information about the fitness of the model than R^2 . The F-test is the null hypothesis that there is no linear relationship between the variables (in other words, $R^2 = 0$). The regression model is statistically significant, $F = 17.374$, $p = 0.000$, hence supporting the fact that lack of proper evaluation, poor credit terms and lack of effective follow-up measures used in the model are crucial factors explaining the monitoring of debt as part of the challenges of collecting debt in Zoomlion Company Limited, Ghana. The Durbin-Watson statistics was used to check for auto-correlation while collinearity diagnostics in the form of Tolerance level and VIF were used to check for multicollinearity. The Durbin-Watson $d = 0.481$, which is between the two critical values of $1.5 < d < 2.5$ and therefore can assume that there is no first order linear auto-correlation in the study multiple linear regression. To check for multicollinearity in the multiple linear regression model, the Tolerance should be > 0.1 (or $VIF < 10$) for all

variables, from Table 6 the collinearity statistics by the figures of the Tolerance and VIF indicate that there is no multicollinearity, which makes the model more reliable.

The coefficient of lack of proper evaluation which looks into carefully assessment of potential debtors before the approval of giving them credit facility has a positive and a significant impact on the challenges of debt collection which takes more time of the debt management staff to do more monitoring to collect the debt. If proper and stricter evaluation were done less time will be spend for monitoring and even if same time will be use this can be used to build customer relations to develop long-term engagement to enhance the company performance. This finding agrees with Burt (2004) who asserted that many credit problems would be avoided if organisations ensure a holistic credit assessment of their customers.

The coefficient of poor credit terms could be an advantage from the company point of view that might help it to collect their monies early and possibly benefit from the credit sales. It is also imperative for the company to be concern with timely payment of the customer's debt to sustain its liquidity position of the company to meet its financial obligation when it is due. Customers because it is credit sales irrespective of the credit terms most customers will accept it but will fail to pay on time which can lead to doubtful debt and possibly bad debt. The coefficient of the poor credit terms has a positive and less significance on monitoring of the debt thereby less crucial factor on the challenges of collecting debt. The positive coefficient indicates that the more poor credit terms is experience by customers from the company the more the cost and time of recovery of the debt hence more monitoring has to be done to retrieve the debt. The finding seems to align to Finlay (2008) who indicated that before a debt can be made, both the debtor and the creditor must agree on the manner in which the debt must be paid. Kimmel *et. al.* (2011) partially agree with Finlay (2008) but made a strong point that irrespective of the best efforts of companies to research into the companies to whom they extend credit, problems can, and frequently do arise.

As revealed in the estimation, lack of effective follow-up measures has a positively relationship with monitoring of the debt and hence has the potential to resolve the challenges of collecting debt to an appreciable level. The positive coefficient indicates that an increase in effective follow-up measures will have a corresponding improvement in the monitoring of the debt and possibly speed by the payment of the debt. Effective monitoring and control procedure of a customer account can lead to critical information for the company to get in touch with the customer to resolve the debt issue in its earliest stage. This finding aligns with Brigham and Ehrhardt (2011) assertion that receivables management though begins with the firm's credit policy, but greater emphasis must be placed on the monitoring system so that tracking and recovery of debt must be timely. This finding may suggest, consistent with Watson and Head (2013) indicated that maximizing profitability can influence trade credit but it must not exceed the cost of recovering the debt.

The null hypothesis is there is no relationship that is the beta coefficient is not different from zero. The result of the regression indicate that the coefficient of lack of proper evaluation, poor credit terms and lack of effective follow-up measure as positive but not significant at 5% and 1% significance level. It implies that all the three variables cannot influence effective monitoring of debt. This suggests that Zoomlion should consider other areas that were not captured here such as internal organisation, stricter credit policy and training of staff to conduct proper credit analysis. On the other hand at 10% significance level, the study can claim that monitoring of debt is positively related to lack of effective follow-up measures but not with lack of proper evaluation and poor credit terms. Thus the study cannot accept the null hypothesis at 1% and 5% significance level, though at 10% it was a mix result as lack of effective follow-up measures was significant while lack of proper evaluation and poor credit terms were insignificant. In terms of relative importance of each independent variable in the model effective follow-up measures has a higher impact than proper evaluation and credit terms respectively (beta = 0.387 as against 0.261 and 0.201)

Conclusions

Accounts receivable management is a key component of the working capital management of any company. Once a company gives credit to their customers it must be aware of its exposure to risk such as bad debt. Cashflow is critical to business operation hence can be termed as the engine that drives businesses but

delinquent accounts can serve as the brakes that stop the engine which is the cashflow. It is imperative that accounts receivable should be managed efficiently so that it should not hold back the business of the companies'. The paper explored accounts receivables management through debt management and debt recovery strategy in the waste management and environmental sanitation sector of Ghana through Zoomlion Ghana Limited. Some of the major highlights were the need and existence of effective credit control systems supported by a comprehensive credit policy. The study made emphasis on the enforcement of the credit policy to enhance debts recovery through innovative debt strategies.

A limitation to this study is that the sample was in Ghanaian context, whose customers may be distinct from ones with other geographical/cultural background. Secondly, this paper has solely studied the debt management via debt recovery strategies without taking into account the driving factors of the other components of working capital management. Future research needs to investigate the debt recovery strategies of all the regional offices of Zoomlion Company Limited to establish the debt management issues and challenges at the national level through longitudinal study based on purely secondary data or mixed approach.

Businesses whether big or small must take control of its accounts receivable properly as this will make sure that the revenue the company is expecting from goods and services sold will boost the cash flow and possibly support the business efforts. One of the key drivers of financial health of a company is efficient accounts receivables management since it has the potential to influence the overall financial performance of any company. This paper suggests the following as a way to enhance best practices of accounts receivable management:

- There is the need for a comprehensive accounts receivables policies and sales terms for both staff and customers for effective communication. The enforcement of the policies must be adhered to by any serious organisation.
- There should be a thorough and objective credit assessment of the customers. There must be a clear distinction between a customer who meets the requirement and will be prepared to match the credit obligation and a customer who buys more but will not meet timely payment schedules.
- There is the need for efficient tracking and monitoring of accounts in terms of revenues, write-off and overall contribution to profits to determine action(s) to be taken.
- There is the need for well-organised framework for collections and debt recovery action plans for its applications to accounts when they become delinquent.
- Establish operational support and staff training programmes to upgrade the credit management team skills and competencies to do their work well.

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