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Manyasi, Susane Milahane
Mount Kenya University

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AN ANALYSIS OF CREDIT MANAGEMENT AND ITS CONTRIBUTION TO INDUSTRIAL DEVELOPMENT
A CASE OF A GAS MANUFACTURING FIRM IN KENYA

SUSANE MILAHANE MANYASI

MBA/NRB/101/00005

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ABSTRACT

The world is getting more concerned about distressing credit activities. Vulnerable credit risk management systems have been showing an upward trend. Big economies such as America have experienced troubled mortgage lending in 2008. European Union experienced a debt crisis in 2010. Firms in Kenya are focused on establishing a strong credit management framework in order to maximize their profits and gain competitive advantage over their rivals. Central bank has authorized credit reference bureaus to collate and provide relevant information to suppliers and lenders who need this information for decision making in relation to ability to pay or creditworthiness. The main objective of this research was to provide manufacturing firms with insight into their credit management framework. The firms’ existence in this competitive world is governed by whether clients are allowed to buy on credit and what controls are in place to ensure these credit sales are managed, in order to reduce incidents of bad debts and write-offs while increasing sales. Readers of this project will get familiar with credit management problems inherent in industry in particular the credit management department, and the importance of appropriate credit management in the firms’ residual income. Research questions will guide the reader on how the objectives were derived. Research was carried out in the gas firms’ major towns in Nairobi, Kisumu, and Mombasa in Kenya with focus on customers and supplier stake holders who in the course of duty impact on credit management outcomes. Both quantitative and qualitative methods were employed. The firms’ internal policies, annual reports as well as business performance results provided significant findings for this research. Research findings established various client categories for example, Cash and Credit and their related behavioral norms which were not particularly in conformance to the firms required standards of operation and or internationally recognized standards.