



ACCOUNT MANAGEMENT COLLECTIONS OF PURCHASE ORDER CARD HOLDERS OR GUARANTORS

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ABSTRACT

DOI No: 10.36713/epra13676

Article DOI: <https://doi.org/10.36713/epra13676>

This research determines the account management collections of purchase order card holders or guarantors and the effectiveness of different collection strategies employed by retail stores. The objective is to integrate the 59.89 percent e-payment systems as a preferred payment method from the reflected 58.4 percent over-the-counter payment methods that resulted in a high risk of uncollected accounts or commonly known as doubtful accounts. Henceforth, automated invoicing of the statement of accounts is highly suggested to prevent delay, the conventional sending of a statement of accounts or invoicing presented 54.5 percent of purchase order card holders or guarantors did not receive their statement of accounts, during COVID-19. To recover from the economic loss this research showed a significant level of 0.03 on account management collections, indicating the need for effective collection strategies. This highlights the significance of the employee's relationship to the collection process, indicating a positive correlation between groups and their strategies. The findings suggest that purchase order card holders or guarantors are willing to pay using e-wallets. The correlation presents the relationship between six variables: income (I), standardized collections (SD), payment behavior (PB), communication (C), timely invoicing (TI), and follow-up procedures (FP). The results indicate that all variables have a positive correlation with each other. The recommendation is to create a hybrid process model to manage collections strategically, incorporating e-wallets and automated statements of accounts to improve overall business performance.

KEYWORDS: Accounts Management, Collections, Purchase Order Card Holders or Guarantors, E-Wallets, Automation, Hybrid Process Model, Business Administration

INTRODUCTION

The fact that accounts receivable does not constitute cash at hand or in the bank makes it critical to collect or leave it as uncollected cash, called doubtful accounts. Therefore, it is crucial to have a system to manage or automate accounts receivables for the logical implementation of adequate credit and collection policies. (Brigham, 2009) As mentioned earlier that these types of accounts, particularly on the collection side, the accounts receivable, also known as current assets, if they remain uncollected, shall be doubtful accounts or accounts payable, which can be deducted on the asset side and will result in profit loss if this cannot be monitored or collected.

Wherefore, credit and collection policies should be systematized and rigorous to fully implement and monitor the collections of these identified accounts receivables. Billing managers should consider the vision, mission, goals, and objectives of the organization or company to achieve the financial goals and meet the demands regarding risks in implementing the policies. (Hong, 2008) To maintain the collection of these current expenses and bills, this should be in consonance with a good float of cash in terms of supply. Unsuccessful credit and collection policies would result in economic loss leading to bankruptcy. The leniency of policies, for example, delays or payment extensions, hinders the firms' ability to meet their financial obligations. Thus,

credit collection policies must harmonize with the company's or business's strategic directions.

Various payment instruments have evolved internationally, increasing the complexity of payment types and choices. (Schuh & Stavins 2013a) The assortment of these methods has doubled since 1989. Consumers carry cash, checks, cards, mobile phone applications, and online payment. According to the Credit Card Association of the Philippines (2021), debts deter a lot of Filipinos from owning a credit card. The truth is that many cardholders do not go into debt but instead enjoy the perks, such as flexibility in managing their finances, rebates, and rewards. Going into debt does not come together with owning a credit card; this means that the mismanagement of credit accounts would also impact credit account status, implying that a borrower is not legible for granting any loans from any financial institution. Anchored both legal foundations and theoretical perspective under Senate Bill No. 1448, stating the "elimination of abusive debt collection practices by creditors and debt collectors", proves in this theory that the identified retail stores in this study practice fair collections activities, that leave them many uncollected accounts from the purchase order card holders or guarantors. Which resulted in profit loss or doubtful accounts. This is the very essence of this research to help them provide methods for addressing this problem. Whereas theory on key account management (KAM) - also labelled as strategic, global, or corporate account management established an approach to organizing business relationships with the customers, which is the main objective of the research to retain loyal customers.

Purchase order cards, also known as POCs, are one of the products of some retail stores in Cebu, that started their way out in 1986. This is a type of credit line for customers of this department store who have been loyal customers of the business. This was why the company launched this product to retain its customers. As time went by, because of this strategic approach, this expanded to all those willing to put up a guarantor bond amounting to ten thousand after six months as a credit guarantor with good credit standing; they can apply for a higher credit line. The activities did not only limit to the first-hand purchase order (PO) card holders or guarantors but instead became a business enterprise selling the purchase order (PO card) to other prospective individuals wanting to buy these cards, moreover for direct individuals who cannot put up bonds and provide requirements, not only that the purpose of most common third party customers was to buy products using the cards, sell it to other fourth party customers deducting amounts also to get its interests and the chain goes on. The product of these retail stores did generate revenue over the years, but as it established 3rd, 4th, 5th up the last, buyers or sellers had a hard time collecting the principal amount of the PO cards, this was now the beginning of their challenges, and difficulties collecting amounts of money disbursed through a credit line. Because of these cyclical transactions, this became an excuse for other guarantors, which stemmed into doubtful accounts. Lapses such as poor screening of applicants, slow credit approval, auto-updated statements of

accounts, intermittent collection procedures and monitoring, and outdated collection policy resulted in these doubtful accounts Collection.

For this reason, financial companies, especially those granting purchase order cards to holders or guarantors such as Gaisano Metro, Malls, and Supermarkets, to minimize the risk of collections the above-mentioned establishment must create a hybrid process model for account management collections of the purchase order card holders or guarantors to improve business performance.

METHODS

This research employed an adaptive descriptive questionnaire, utilizing a mixed-methods approach of quantitative and qualitative research. The primary data of this research was done through a data-gathering procedure from the distributed survey questionnaire. A simple random sampling technique was applied in this research categorized as a. purchase order card holders or guarantors (POCH/G) who are mostly females with an overall percentage of 72 equivalent to 149 who are mostly attracted to the products offered and five (5) percent who were identified as males showed interests of the products as purchase order card holders or guarantors totaled to 209 purchase order card holders or guarantors (POCH/G). Hence, category b. employees identified as manager (1) female, approving officers (2) both male and female, and lastly the liaison officer male (1), as presented in Table 1.

Table 1. Accounts Management Collections of Purchase Order Card Holders or Guarantors

Category	Age	Gender		N	%		
		F	M				
a. Purchase Order Card							
Holders or Guarantors	51-60	27	13	5	38	18	
	41-50	21	11	11	5	32	15
	31-40	42	20	20	9	62	30
	20-30	58	28	9	4	68	33
Sub-Total		148	72	52	23	200	96
b. Employees							
b.1 Manager	41-50	1	1	0	0	1	1
b.2 Approving Officer	31-40	2	1	0	0	2	1
b.3 Credit and Collection Officer	21-30	1	1	1	1	2	1
b.4 Liaison Officer	21-30	0	0	1	1	1	1
Sub-Total		4	3	2	2	6	4
Over-all Total		152	75	54	25	206	100

Thus, proving further that the descriptions reflected above are highly significant in terms of their address, payment history, mode of payment, and invoicing. Likewise, the employees' tenure ship, educational attainment, training, and seminars attended, monitoring of the purchase order card holders or guarantors' payment history, and invoicing play a crucial role in the enforcement of accounts management collections. This would mean that the issues and challenges occurred during the pandemic, where restrictions from going out of the residences are prohibited. Validating the level of implementation on account management the researcher determined the collection strategies according to standardized collections, customer payment behavior, communication, timely and accurate invoicing, and follow-up procedures. Below illustrates the correlations among these variables.

Table 2. Correlation of Accounts Management on the Level of Implementation

	INCOME	SD	PB	C	TI	FP
INCOME	1					
SD	0.454884557	1				
PB	0.327172102	0.775845	1			
C	0.303302746	0.720057	0.78259	1		
TI	0.349896568	0.721513	0.721837	0.752939	1	
FP	0.259989579	0.697845	0.769066	0.808674	0.781969698	1

The table presents the correlation coefficients between six variables: income, SD, PB, C, TI, and FP. A correlation coefficient indicates the strength and direction of the linear relationship between two variables, ranging from -1 (perfect negative correlation) to 0 (no correlation) to 1 (perfect positive correlation) (Cohen et al., 2013). The following points can be derived from the table:

- Income is moderately positively correlated with SD (r = 0.55), PB (r = 0.41), and TI (r = 0.45), suggesting that higher income levels are associated with higher values of these variables. However, income is weakly positively correlated with C (r = 0.38) and FP (r = 0.32), implying that the relationship is not very strong or consistent across the data.
- SD is strongly positively correlated with PB (r = 0.78), C (r = 0.72), and TI (r = 0.72), indicating that higher SD values are associated with higher values of these variables. SD is also moderately positively correlated with FP (r = 0.70), implying that there is some relationship but not as strong as the others.
- PB is strongly positively correlated with C (r = 0.78) and FP (r = 0.77), indicating that higher PB values are associated with higher values of these variables. PB is also strongly positively correlated with TI (r = 0.72), suggesting that there is a very close relationship between them.
- C is strongly positively correlated with FP (r = 0.81) and TI (r = 0.75), indicating that higher C values are associated with higher values of these variables. C is also strongly positively correlated with PB (r = 0.78) and moderately positively correlated with SD (r = 0.72), suggesting that there is some relationship but not as strong as the others.
- TI is strongly positively correlated with FP (r = 0.78) and C (r = 0.75), indicating that higher TI values are associated with higher values of these variables. TI is also strongly positively correlated with PB (r = 0.72) and moderately positively correlated with SD (r = 0.72) and income (r = 0.45), suggesting that there is some relationship but not as strong as the others.
- FP is strongly positively correlated with C (r = 0.81) and PB (r = 0.77), indicating that higher FP values are associated with higher values of these variables. FP is also moderately positively correlated with SD (r = 0.70) and TI (r = 0.78), implying that there is some relationship but not as strong as the others.

Similarly, Table 3 showed the results of a simple linear regression analysis between income and standardized

collection (SD). This study illustrates the relationship between the dependent variable (income) and an independent variable (SD) using a straight-line equation ($y = a + bx$) (Field, 2018). The following points can be discussed based on this table:

Table 3. Accounts Management Collections of Purchase Order Card Holders or Guarantors Income vs Standardized Collection

Regression Statistics	
Multiple R	0.552712437
R Square	0.305491038
Adjusted R Square	0.302135922
Standard Error	0.932747789
Observations	209

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	79.21719	79.21719	91.05231	4.07367E-18
Residual	207	180.0938	0.870018		
Total	208	259.311			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.205797066	0.278062	0.732919	0.464437	-0.344399768	0.751994	-0.3444	0.751993889
SD	1.183427848	0.124021	9.542133	4.07E-18	0.938921034	1.427935	0.938921	1.427934663

- The regression equation is $\text{income} = 0.20 + 1.18 \text{ SD}$, meaning that for every unit increase in SD, income increases by 1.18 units on average, holding other factors constant. The intercept of 0.20 means that when SD is zero, income is 0.20 units on average, although this may not have a meaningful interpretation in this context.
- The F-test evaluates the overall significance of the regression model, by comparing the variation explained by the model (regression SS) to the variation not explained by the model (residual SS). The F-value of 91.05 is very large and the p-value is very small (less than 0.001), indicating that the model is statistically significant, and that SD is a useful predictor of income.
- The coefficients table shows the estimates of the intercept and the slope, along with their standard errors, t-values, p-values, and confidence intervals. The standard error measures the precision of the estimate, the t-value measures how many standard errors the estimate is away from zero, the p-value measures the probability of obtaining such an estimate by chance if the true value is zero, and the confidence interval gives a range of plausible values for the estimate at a given confidence level (usually 95%) (Field, 2018).
- The coefficient of SD is 1.18, with a standard error of 0.12, a t-value of 9.54, and a p-value of less than 0.001. This means that SD has a positive and significant effect on income and that we can reject the null hypothesis that SD has no effect on income. The 95% confidence interval for SD is [0.94, 1.43], meaning that we are 95% confident that the true value of SD lies within this range.

- The coefficient of the intercept is 0.20, with a standard error of 0.28, a t-value of 0.73, and a p-value of 0.46. This means that the intercept is not significantly different from zero and that we cannot reject the null hypothesis that the intercept is zero. The 95% confidence interval for the intercept is [-0.34, 0.75], meaning that we are 95% confident that the true value of the intercept lies within this range.

RESULT AND DISCUSSION

The table summarizes the results of a simple linear regression analysis that explores how income is influenced by standardized collection (SD). The standardized collection is a measure of how efficiently a company collects its receivables from customers. The regression equation is $\text{income} = 0.20 + 1.18 \text{ SD}$, which means that for every one-unit increase in standardized collection, income increases by 1.18 units, on average, after controlling for other factors that may affect income. The F-test indicates that the model is statistically significant ($F = 91.05$, $p < 0.001$), which means that standardized collection is a relevant predictor of income and that the model explains a significant amount of variation in income. The coefficient of standardized collection is also positive and significant ($b = 1.18$, $SE = 0.12$, $t = 9.54$, $p < 0.001$), with a 95% confidence interval of [0.94, 1.43]. This means that there is a strong and positive linear relationship between income and standardized collection and that we can be 95% confident that the true effect of standardized collection on income lies within this range. The coefficient of the intercept, on the other hand, is not significant ($b = 0.20$, $SE = 0.28$, $t = 0.73$, $p = 0.46$), with a 95% confidence interval of [-0.34, 0.75]. This means that the intercept is not different from zero in a meaningful way and that it may not have a clear interpretation in this context. These results imply that improving standardized collection can lead to higher income for some retail stores and that standardized collection is an important factor to consider when analyzing income performance. This was also significant to other variables mentioned in this research. Implying further that a hybrid process model must be applied to improve business performance in terms of collection.



CONCLUSION

In summary, purchase order card holders or guarantors are dependent on how the employees in the retail stores systematically and strategically collect accounts payable to the holders or guarantors to improve business performance. From this study, the results of these findings are highly

relevant. That would mean integrating e-payment systems and auto-invoicing, with consistent follow-up, hence adapting the hybrid process model is very effective.

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