Chapter 2

Literature Review

2.0 Introduction

The objective of the literature review is to elaborate more about the definition of credit, why business do extend credit, the importance of credit control management, set up of credit control department, prevention of business from credit losses, ways to collect the payment on time, the responsibilities of the credit control manager, duties of tomorrow's credit control manager, credit policy and procedures and summary and conclusion of the literature review.

2.1 Definition of credit

According to the Dictionary of Business Dictionary, to "offering credit" means to deferred payment terms offered by a seller to a buyer as a standard trade practice or to encourage sales. In some trades such as jewelry business, the credit may extend to 180 days or even longer.

According to the Dictionary of Financial Dictionary, credit is a term used for many financial services that involve the borrowing of money. In its basic form credit refers to a legally binding agreement between a borrower and lender where the borrower receives money or assets and agrees to pay them back at a later date, sometimes with added interest. A lender is sometimes referred to as a creditor and a borrower is sometimes referred to as a debtor.

The credit card process is a very popular and widely used form of credit in which the borrower uses a card with a previously arranged limit to purchase items on credit. Whatever the credit card holder has been purchased has to repay by a certain date or the borrower can convert it to debt and will then have to make the repayment with added interest to the financial institution. In this circumstance, there are some forms of credit is allow to the credit card holder in order to settle the debt given by the financial institution. (http://www.investorwords.com)

There are many other forms of credit that work in the same way as credit cards but don't use the physical card system, such as trade finance credit for importing and exporting. A loan is a form of credit over a longer term. Some mortgages loan can have terms up to 30 to 40 years. Most of the loans and credits provided by the financial institutions have interest rates on repayment, which is a percentage of interest added on to the original price are amount borrowed. This is how lenders make a profit from offering credit. (http://www.investorwords.com)

In business term, the suppliers' and producers' credit commonly referred to as trade credit. To extend trade credit to customer means a company will give time to customer to pay or settle the full payment for goods which have been supplied to them. The credit terms may vary depending on the nature of the business.

2.2 Why does business extend credit?

Offering credit is essential for a company and it does provide a vital stimulus to trade. If everything is to be transacted in cash, then before any trade is done, the financing facilities whether internal or external are required to be arranged to generate immediate cash facilities to pay.

According to Bernstein (1977), the main attraction on the customer's side to use credit facilities is that it allows the customer to spread the financial load and budget expenditure. Applying the trading up policy with credit facilities, the customer can buy when they want to instead of waiting until they actually accumulated the money and this means that they can buy more appropriately for their need.

There are three of main advantages that the company gets benefitted from credit trading to their customers. Firstly, offering credit can encourage customers to spend more, which can result in increased sales for the company if receivables are turned to cash. The customer will take the first priority to the suppliers whose offering credit to them due to they do not need to prepare the cash immediately before received the goods from the supplier.

Secondly, offering credit also will increase the customer goodwill between the supplier and customer and build good customer relations between each other. Credit trading will help the company to increase turnover of the company by the attraction of new range of customers. Then, the company will retained greater profits will follow and provided by credit trading. The company also will generate a large turnover which means that the business can expand greater as compared to deal their business all in cash term. Furthermore, a larger turnover leads also to increase buying power. For example, the company will be in the position to buy the material in bulk and negotiate for favorable discount terms. As such, Costs of purchases will decreases and it can be used to increase their profits or passed on as goodwill to the customer. Besides, by offering credit will make the potential and existing customers become less sensitive to the price of the goods and more focused on the services that the supplier offer. (Barrat Setphen Willian D, 1999)

2.3 The Importance of Credit Control Management

A good credit control management will help the company to ensure that the sales are only made to a customer, who likely and able to pay for the goods or services supplied within the credit terms. Profits will follow from the sale when the company has a good credit terms to customers to ensure minimum risks and it will crystallize into cash and improve liquidity, which is the blood of any business. (Glen Bullivant, January 2008)

Debtors are one of the largest assets in the financial statements of a company. Therefore, a company should be more safeguarded through timely collections. There are many solvent companies have gone under-receivership for failure to manage and collect from their clients. In order to create a positive cash flow, all the debtors must be managed through effective credit control methods in order to ensure that all payments have been collected promptly.

For example, if you met a stranger in the bus stop and they would like to borrow some cash from you and promised to repay at a later date. At this circumstance, would you decide to advance them credit? Obviously your answer will be no because on the basis of that they are a stranger to you. If this is so to an individual why would a company give goods and service to a client whom they don't know or have no information about? As such, good credit control management therefore begins with know your customer. (Glen Bullivant, January 2008)

There are different types of customers and there are those that won't pay unless they are reminded to pay and there are those that wait to see a reminder letter in order to pay. There are most of the companies have realized that buying goods and services on credit can help them to run the business without borrowing cash to pay for stock that will not be purchased immediately. The way to survive in high interest economy is by buying goods and services on credit and pay at a later date. As such, the key role of a credit control department is to ensure timely collection of credit sales.

All the new customers must be credit checked to ensure that they are creditworthy and they are able to meet their obligations when they fall due. Besides, a credit controller should advice the management accordingly if the credit business is a risk to the company or not. This can be done using different means like credit checking with a CTOS, registrar of companies, other suppliers and financial statements of the company.

2.4 Set up of credit control department

The purpose of setting up a credit control department is to carry out credit and collection policy with the objectives of protecting the debtor asset of the company. The “Credit” is controlled by three basic elements and there are credit limits, credit terms and debt collection routines.

It is very important for a company to have a credit control department, whether it is small or large, or whether using a proper departmental set up or as an integral part of the Finance Department. It is depends on the size of their customer base or nature of their business. The credit control department would take charge of the accounts receivable of the company including to processing the new application of credit account for the customers, conduct credit review periodically and monitoring of the collection for existing customers. (Teh.C.G, 2001),

The credit control department is responsible to assess the creditworthiness of potential and existing customers to ensure that credit sales are granted to creditworthy customers only. Then, the said department also need to o decide on appropriate credit limits and terms, security arrangement and, terms and conditions for new and existing customers prior opening a new account.

Besides, the credit control department also needs to monitor the bad debts recovery from long overdue accounts and attempt to pursue and convince the customer to settle the debts soonest possible. Other than that, the credit control department is responsible to settle any disputes against the customer and try to convince them in a proper time and suitable way. The credit control department has to make decisions whether to stop deliver the goods to the slow or bad paymaster unless they have settled their outstanding balances. (Teh.C.G, 2001),

The credit controller is to review the credit facilities granted to their customer to ensure that the credit limit and terms are given at a suitable level and minimize the risks of default of the account. The credit controller has to review their financial statement, repayment trend and cash flow analysis in order for them to make a right decision. Finally, the credit control department is to liaise with solicitors to take further legal action against the slow and bad paymaster for the possible recovery. (Teh.C.G, 2001),

2.5 Prevention of business from credit losses

A company may suffer credit losses if they do not have a credit control department. Without a credit control department, the debtor receivables of the company will not monitoring the customer's repayment closely and it may cause the delay of the payment from customers due to lack of following up with the customer. As such, the company would not collect their debt promptly and they may face cash flow problem and the business will cease operation due to insufficient fund. (R.M.V. BASS, 1991)

There are several ways to prevent the business from credit losses as below:

1. Establish who you are dealing with

The company which intends to offer credit to its customer, they should set up a credit application form, which all customers must use and fill up all the information needed before credit is allowed. This is to enables the company to ascertain who they are dealing with, the credit limit sought, whether the directors or personal guarantees are necessary and if so from whom, credit referees and other relevant information.

The company also needs to consider the credit collection pattern in the industry by conducting a trade reference checking. (R.M.V. BASS, 1991)

2. Approve credit limit and terms

The company has to provide a written response to the applicant on a credit application promptly when either approving credit, declining credit of the account or requesting further information from the applicant. A credit approval letter should state the amount of credit given, credit terms, guarantors including guarantee forms, penalty/default terms and any other terms and conditions pertaining to the credit approval. This is to ensure that the successful applicant is aware on the approved credit limit and terms and also avoiding any disputes of the term and conditions on the credit account. (R.M.V. BASS, 1991)

3. Mail invoices promptly

The company must ensure that prompt and accurate invoicing with straightforward product descriptions and terms of trade will show to the customer that the company is serious about payment terms and conditions. (R.M.V. BASS, 1991)

4. Keep up-to-date records

One of the keys to effective credit control management is to maintain accurate and up-to-date records. A good credit control management should ensure that all the ageing of debtors should always be available and monitoring by credit control staffs. (R.M.V. BASS, 1991)

5. Avoid special cases

A company to making special arrangements can backfire. There must be no company is so large or important that the company should let the customer ignore their terms and conditions. The company should insist on the decision firm and simple settlement terms will create a healthy respect for the financial efficiency. (R.M.V. BASS, 1991)

6. Read the financial press and trade journals

Due to their day-to-day responsibilities, many of the credit controllers neglect the “big picture” and are out of touch with changes in the marketplace or the economy. As such, they have to always get themselves updated by reading more financial media and trade journals as it is a cost-effective way to get the feel of the market. (R.M.V. BASS, 1991)

7. Start at the top

When attempting to settle accounts with the customers, the credit controller should deal directly with the decision makers due to the discussions with other people on overdue accounts can waste time. It’s usually far quicker and more effective to deal with the person whose signature appears on the cheque. The credit controller has to issue the reminder letter and also to pay for a field visit in order to expedite the recovery of the debts. (R.M.V. BASS, 1991)

8. Keep your promise

The credit controller does not always threaten the slow paymaster by initiate legal action because issuing empty threats will probably mean they will wait even longer in the future. (R.M.V. BASS, 1991)

9. Watch trends

The company has controlling the credit with some easily understood measures such as average days sales outstanding, financial ratios and proportion of disputed accounts. Other warning signs to watch are changes in cheque signatories or cheques coming from other than the debtor. When this happens, inquiries should be made immediately by the credit controller in order to mitigate the risk of default for the account. (R.M.V. BASS, 1991)

10. Spread the message

Communication is the key to preventing or resolving most problems. As such, all the employees should be well informed of credit control procedures and the reasons behind them. Besides, the credit control staffs have to update all the follow up and remarks in collection system in order to remind the officer in-charge or well informed other collection colleagues. The regular staff meetings to discuss credit and collection matters will assist this communication and improve credit management of the company. (R.M.V. BASS, 1991)

2.6 Ways to collect the payment on time

Cash is the life blood of any business. In the first couple of years of the new venture, the ability to get cash into bank account faster than it goes out again will be one of the main measures of it being a viable business. (www.bytestart.co.uk)

One of the reasons some businesses facing failure due to they are run out of cash. They have a profitable business but they don’t chase slow-paying customers or having poor credit control practices and management. Without clear credit control procedures the business can’t grow and is in extreme danger of not being able to pay its own bills. That’s the start of a slippery slope that can end in the destruction of years of hard work.

There are seven ways to help the organization to collect their payment on time:

1. Clearly set your expectations

The first step for new business is to work out how quickly they would like to be paid, balanced against the realities of the markets. It would be lovely to see the cash within 7 days of delivering the product. Unfortunately, most of the customers are expected a longer credit term like 90 to 120 days. (Jane Calvin, 3 Mar 2011)

As such, a standard credit limit and terms should be set by how quickly they have to pay for the raw materials or goods or services that you have provided. The company should put the payment terms into the standard terms & conditions, customer contracts and state them clearly on every invoice in order to avoid any discrepancy or disputes between each other.

2. Make it easy to be paid

Nothing is more frustrating to small companies than getting an invoice from a business that only accepts cheques. There are so many better ways to get money out of the customers and most are faster too. (Jane Calvin, 3 Mar 2011)

The company could also consider accepting payment from their customers by credit card, PayPal and online banking by giving account details to their respective customers. The abovesaid modes of payment will ease for the customer to make payment to the company within the credit terms offers.

3. Credit check new customers

Before granted a credit and open a credit account to a new customer, the company should conduct a credit checks on the new customer in order to determine the creditworthiness of the customer. Credit checks will provide the existing and past payment trends for references. (Jane Calvin, 3 Mar 2011)

The credit checks are only cost a few ringgits but it could save thousands in the long-term. Credit checking won't guarantee payment but it will give valuable information about the credit worthiness of the potential customer, allowing the company to make a better decision upon processing of the new credit applications. Besides, the company also can conduct a credit checking with their existing suppliers in the market in order to determine the credit worthiness of the customer.

4. Encourage prompt payment

The company can encourage their existing and or potential customer to pay soonest possible or prompt payment by offering a certain percentage of discounts for those prompt paymasters. It will automatically improve our cash flow and reduce bad debt for the company. (Jane Calvin, 3 Mar 2011)

The customers will attempt to early settle the outstanding balances even the account is yet to be due. It is because of the customers were attracted by discount given by the suppliers.

5. Have a clear procedure for credit control

The company shall set a clear procedure for credit control with standard reminder letters to send out after 7 days, 14 days etc. The letters should be polite but insistent and remind the customer that we have the legal right to charge interest on the debt from the day it was due. (Jane Calvin, 3 Mar 2011)

The credit control staffs have to always call and remind to the customers about the amount owing by the company and to settle the overdue payment soonest possible in order to avoid any overdue interest charged on the accounts.

6. Don't be afraid to take action

For those customers that don't pay on time, the company must take further recovery action in order to recover as soon as possible. The company can engage with a solicitor to act on behalf the company to send the reminder letter and further legal action against the slow paymaster. (Jane Calvin, 3 Mar 2011)

There are few mode of execution of the judgment against the judgment debtor like bankruptcy proceedings, judgment debtor summons, winding up proceeding, foreclosure proceeding, garnishing proceedings and writ and seizure of sale. A customer that places orders but doesn't pay is a threat to the business. As such, the company should treat this matter seriously and to ensure that all avenue of recovery have been exhausted.

7. Treat credit control as an important job every day

A new set up company must be set up a credit control department in order to monitoring closely the debtors repayment. The company should have to work closely with their customer on the payment for the invoices and solve the discrepancies between each other in order to speed up the collection process. (Jane Calvin, 3 Mar 2011)

2.7 The Role of Credit Control Manager

As per Huber (1999), the emerging modern approach credit control management emphasizes the need to have clear segregation of duties to resolve conflicting interest between sales and account receivable, recoverability and responsibility. Besides, it is a fundamental for sales personnel cannot have the ultimate say over credit limits and credit terms of the credit account. Sales are not only just made to achieve company target/goal but to emphases the profitable volume and taken into account are the risks of bad debts.

The credit control manager has to choose a user friendly system and computerized software solutions in order to manage all the credit and collection information of the customer base and establishing an effective credit control processes, pre-emptive recovery of action, monthly credit and collection reports and follow up action against the customer. The system or software that chosen by the credit control manager must be reliable and able to provide the accurate information to the credit control staffs.

First of all, the credit control manager has to determine the good credit control policy and the implementation strategy of the credit control policy. The process of a new credit application or other matters must be following through with the standard procedures of the credit control policy and procedures. It is because of the credit risk management and evaluation of the customers is important for a company due to it may affect the profit and cash flow of the company. Henceforth, the credit control manager should be able to assess the credit risk of its customers and try to minimize it as lower as possible. (Huber, William D , 1999)

After assessed the credit risk of the new application, the credit control manager has to establish the payment terms, credit limit for the newly open account and the safeguard the company's profit through risk mitigation. A credit security policies such as collateral like corporate or personal guarantees, bank guarantees, letter of credit and etc. is required in order to ensure that the company's interest is always has been protected. During the assessment period, the credit control manager needs to collect the credit information from CTOS, sales manager, audited accounts and bank statement for decision making purposes. This information will help the credit control manager to assess the background and financial status of the customers. Besides, the credit control manager also has to ensure that trade reference must be conducted before offering any credit to the customer. The trade reference is to obtain more information about the payment trend of the customer. It will also help the credit control to make decision during evaluation of the new application.

Furthermore, a credit control manager also has to contribute to the company's profits by having a diligent credit assessment of the new application and control in results a loss of sales and effectively help the marginal account to turn around into reliable and profitable customers. (Huber, William D , 1999)

Other than that, the credit control manager is also responsible and initiative to consistently seek for additional information by gathering more market intelligence via sales force, other credit control manager in same and or different industries, trade press, existing customers and audited report. It may help the credit control manager to enhance their credit judgment and take pre-emptive action against the customer in order to minimize the credit risk of the company.

At the same time, the good credit control manager must be well educated and having a vase of credit control experience. The credit control manager must be an independent decision maker in the evaluating credit decisions, human judgment or guesswork because it is will always be a part of the credit control manager's responsibility. The abovesaid skills and experience is very important for a good credit control manager as the qualitative assessment and the financial analysis of a customer which can generated by a computer but it can only tell us if the figures are feasible, but then only a credit manager has a gut feeling. (Huber, William D , 1999)

The credit control manager has to monitoring the progress of the collection of the company with the respective credit control staffs to ensure that all of the due payments have been collected promptly by the officers. As such, the credit control manager needs to conduct a weekly and monthly collection meeting with the credit control staffs to share the information and seek for the immediate response and solution of the matters and problems brought out by the credit control staffs. In addition, the credit control manager also has to review the financial position and payment trend of the customer by semi-yearly or yearly basis. This is to improve the credit risk management and ensure that all credit given to the customers are under risk control. (Huber, William D , 1999)

Lastly, the credit control manager also needs to always liaise with the customer, solicitor, banker, existing customers and suppliers and liquidator for maximize the recovery of the company. The credit control manager is to negotiate with the customers for the amicable settlement proposal to avoid any legal action to be taken in Court. It can directly increase the recovery of the company and reduce the expense and legal cost incurred for the company as well. Furthermore, the credit control manager always has to liaise with solicitor and gather more legal opinion before initiating any legal action against the customers.

2.8 Duties of tomorrow's credit manager

With the emphasis on the important of credit control management for a company, the tomorrow's credit control manager would no longer be a unqualified employee and assisted by only clerks, However, as the effective of credit control management has yet to be high in priorities for certain companies, it would be difficult to recruit a personnel of the requisite qualifications and experience.

According to Barrat (1999), he has proposed that the below emerging new roles that tomorrow's credit control manager must play in addition to the tradition disciplines of the company. As for the tomorrow's credit control manager, he or she must be deploying an organizational philosophy by understanding a company's core business at all levels and design and implement a good credit control policies to complement and nurture the same. Secondly, the credit control manager has no longer only focus on the credit assessment and collection of the company but to understands very well of the strategic planning for the whole organization.

Besides, the credit control management must learn to look beyond the traditional boundaries of the company. Other than that, the knowledge of manufacturing, sales and marketing and detailed understanding of the industry in which the organization operates and the factors that influence the industry are essential for a tomorrow's credit control manager. It will help the credit control manager to understand well on the current market position and take an advance step and recovery planning during the financial crisis or market turn bad. (Barrat Setphen Willian D, 1999)

According to Richard L Draft, (Management, fifth edition), Leadership is an important skill that a credit manager needed have. The concept of leadership continues to evolve as the needs of organization change. Leadership occurs among people, involves the use of influences and is used to attain company goals. Influence means that the relationship among people is not passive and is designed to achieve the goal of the company. As such, leadership is defined as the ability to influence people toward the achievement of the organization goals. Besides, leadership is a “people activity, distinct from administrative paper shuffling or problem-solving activities and is dynamic and involves the use of power.

As per Robert L Swiggett, former chair of Kollmorgen, the leader’s job is to create a vision of the company. A vision is a mental image of a possible and desirable future state of the company and it also expressed the leader’s ambitions for the company. The best vision are consists of ideal and unique due to it communicates a standard of excellence and a clear choices of positive values to the company. Besides, it also communicates and inspires pride in being different from other organizations.

Further to the above, a good credit control manager will imagine an ideal future for their organization that it will goes beyond the ordinary and beyond what others may have thought possible. The credit control managers would no longer acting as office manager, personnel manager or assistant accountant. They will prove to the management on their importance by providing a confident highly visible leadership within the credit control department and elsewhere.

As such, the influence of the credit control manager must become as important influential as compared to the sales manager. Interpretation and communication skills of the goods credit control manager is important because they have to implement of effective credit control policy and management now require high negotiation skills at all levels and across all boundaries with customer and management. Besides, the credit control manager also has to create as teams with external and internal people like to create smart partnerships with panel solicitors, debt collection agency, existing customer and suppliers and internal department staff in order to provide more added values to the credit control department. (Barrat Setphen Willian D, 1999)

In term of the compliance of the credit control policy, the credit control manager has to clearly define and comply with processes of the credit control policy and procedures to their respective credit control staffs. Then, the credit control manager is needs to compile and ensure that the compliance with operation manual and credit control policies by using collection system. A briefing and guidance must be given to all the credit control staffs in order to ensure that all of them are well versed of the credit control policy and procedures during implement their jobs.

The credit control manager also has to direct interfere with customers to solve the discrepancy and misunderstanding between each other. It may assist to improve the customer satisfaction of the product and maintain a good relationship between each other. It also may help the sales team to make a sale by proactive ways such as pre checking the creditworthiness of the potential customer and providing advice or opinion to customers who experiencing financial difficulties. (Barrat Setphen Willian D, 1999)

Nevertheless, there are some of the additional skills are needed for the future role of the credit control manager. First of all, the internet and online services will provide a wide variety of information to credit control manager such as online credit search or company search (CTOS), company background of the potential company and current financial position and on-going project of the company.

As of today, outsourcing is an effective way for better recovery of the bad debts of the company and the credit control manager wills not necessary to develop in house collection software system due to a reliable and proven integrated systems are now available in the market. As such, use of debts collection agencies for over a certain period like bad debt is help to saving cost and time due to it would enable more time to be spent on crucial matter. The credit control manager must be highly computer literate as the central to the information revolution is the computer.

Besides, these are the other technologies to assist and help to the tomorrow's credit control manager such as credit scoring and cash flow analysis are one kind of the software applications that provide technical method of evaluating the creditworthiness and company's cash flow of the potential customers by using formula for financial analysis with the benefits of speed, accuracy, consistency, reduced personnel cost and more informative management report. (Barrat Setphen Willian D, 1999)

2.9 Credit Control Policy and Procedures

Teh.C.G (2001) stated that the purpose of the credit control policy and procedures is to define the credit control department function and its responsibility as well as to set down the objective and operation manual of the credit control management. The function of the credit control policy and procedures are to protect the investment of the account receivable of the company, as well as to maintain the lowest level of receivables. It's commensurate with the inherent risks in achieving sales objectives and increases the company profit as well.

A good credit control policy and procedures is an essential component of the company strategy and it is very important as the sales and profit of the company. The credit control policy and procedures will ensure that all the revenue of the company translates itself into cash according to the credit term that offered to the customers. Meanwhile, this credit control policy and procedures are not something that used and operated by the credit control department only as all staffs involved with customers are need to be aware of this policy in order to ensure that it is operated consistently. As such there will be a reduction and minimize of the discrepancy and conflicts between staffs and customers. It will automatically improve the collection position and increase the cash flow and profit of the company as well. Therefore, the credit control policy should be well thought and must be fully support though out the company.

As per Teh C.G(2001), the development of the company's credit control policy requires that a specific decision must be made regarding several variables that establish the term of sales and the acceptable level of credit risk of the customers. The variables are credit quality standards, credit terms, credit limits, credit collaterals and mode of payment. The credit quality standard should evaluate via 5Cs of credit such as character, capacity, capital, collateral and condition of the customers. Then, the information about the customer's creditworthiness can be obtain from many sources like the past credit sales and payment trend experience with the customer, external credit information also available from customer's existing suppliers, public reports, credit reporting agencies such as CTOS and financial institution such as the customer's bank. A credit checking will be always needed and important to know about the past payment record of the customers.

Pursuant to the credit control policy, the information gathered could be summarized in a credit evaluation report includes the corporate summary financial statement, financial ratios, cash flow analysis and payment trend analysis. Besides, more information also have to collected and complied for decision making such as credit history showing Payment timing, credit limits and any action that have been necessary to secure payment, a precise identification and description of the company's operation and background, description of the owners, their background and strengths and pertinent detailers such as lawsuits and bankruptcies and a summary credit scores rating. (Teh C.G, 2001)

The credit terms/period offered to the customer must be clearly define and stated in the credit control policy as it will affected the cash flow of the company. The credit terms/period is a length of time granted to the customer for payment on the goods received and it is normally established according to an the industry standard. However, the credit terms/period has a direct impact on the cost of financing receivables and collection risk. As such, the credit terms/period must be well considered by the management before putting in the credit control policy. The credit terms/period will influenced by the strength of the company's market position. The company must post a strong cash flow because the payment will be only collected after the credit term is due. Besides, the attitude of the competitors to setting the credit terms will also affected the company to set their credit terms offered to the customers as customer will looking for the supplier who offer longer credit terms for them. (Teh C.G, 2001)

2.10 Summary and Conclusion of Literature Review

The literature review is shows on the need and importance of credit control management to a company in order for them to monitor their collection more effectively and to help the company to process the credit application in a designated way. Besides, this literature review also studied about the duties and responsibilities of the credit control manager and the importance of setting up a credit control department for better monitoring of the company receivables.

Meanwhile, noted from this literature review, a good credit control policy is very crucial for a successful company as this policy will provide the standard procedures of the collection guidelines and operation manual to the company.