EVOLVING A NEW RECEIVABLES COLLECTION POLICY FOR THE INTERNATIONAL ARM OF NIGERIAN TELECOMMUNICATIONS LIMITED (FORMARLY NET LTD) NOTH-VWEST ZONE KADUNA - A CASE STUY

BY

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D E C L A R A T I O N

It is hereby declared that this study is my own personal handwork. It is original and any other person's work referred to have been appreciably and gratefully acknowledged in the footnotes and Bibiography.

HARUNA ALI

THE ABOVE DECLARATION IS CONFIRMED

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A B S T R A C T

Nigerian Telecommunications Limited deals with Communications business in Nigeria. It is specifically created to provide and maintain Communications services externally and internally for the entire populace of Nigeria and also make profit.

The main line of business includes Telephone, Telex and Telegraph services throughout the country and to any country in the World. These services are provided both on cash and credit basis. It is on the credit aspect that this study is concerned with. The study is concerned with finding our problems being faced by the International arm (former NET) of Nigeria Telecommunications Limited Kaduna North West Zone in its receivables collection policies and also the problems faced by the customers in trying to settle their bills for the services rendered to them on credit.

The aim is to come out with ways and means of solving these two-edged problems facing both the customers and the organization. The study becomes necessary owing to huge amount of debt accumulated by credit customers.

The study concludes with recommendations for the strict adherence to the new procedures, methods and policies for granting credit facilities and receivables collection. These recommendations are derived from the conclusions drawn from the research.

D E D I C A T I O N

I dedicate this piece of work to the following people very dear to me.

My dear wife Mrs. Sa'adatu A. Haruna

and

my late brother Shehu Na'Allah.

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CHAPTER I

EVOLVING A NEW RECEIVABLES COLLECTION POLICY FOR THE INTERNATIONAL ARM (FORMER NET LTD) OF NIGERIAN TELECOMMUNICATIONS LIMITED, NORTH WEST ZONE, KADUNA - A CASE STUDY.

1.1 INTRODUCTION

In the introductory part of this study attempt is made to define what Nigerian Telecommunications Limited is, its background, reasons for its creation, what services it provides and the nature of the services. This is necessary in so far as the study is concerned so that the reader or whoseever is interested may be in a clear picture of the area from which the study is conducted.

The study is concerned with finding out problems being faced by the International arm of Nigerian Telecommunications Limited, North West Zone, Kaduna in its receivables collection policies and also the problems being faced by the customers in trying to settle their bills for the services rendered to them on credit. The objective of the study therefore, is to come out with ways and means of solving these two edged problems facing both the customers and the Organization. The study was limited to the International arm of Nigerian Telecommunications Limited (NITEL) as a result of huge amount of debt accumulated in the form of credit facilities since when the International arm of NITEL Ltd. was known as Nigerian External Telecommunications (NET Ltd.) before the marger of 1st January, 1985. Moreover

the local arm of NITEL, i.e. former Post & Telecommunications Services never operated any properly spelt out policy on receivables collection.

The International arm of Nigerian Telecommunications was a 'Baby' of the old communications establishment called the African Direct Telegraph Limited.

This Company was responsible for the first direct telegraph services between Lagos and London. The Company later together with some other communications organizations merged and formed what was then known as the Imperial and International Communications Limited which later became Cable and Wireless Limited.

Due to the importance of communications for Economic and Industrial survival of the nation, the Nigeria Government after attaining Independence went into partnership with Messrs Cable and Limited (now the International arm of NITEL) The Company was incorporated in 1962 with the Federal Government share equity of fifty-one percent and Messrs Cable and Wireless, London having a share equity of forty-nine percent.

With promulgation of 1972 Indegnisation Decree the Federal Government on 1st January, 1972 acquired the forty-nine percent share equity owned by Messrs Cable and Wireless, London and NET became fully owned by the Federal Government.

International arm of Nitel (former NET) as a limited liability Company since 1 September, 1972 until 1 January, 1985 when it was merged with Posts and Telecommunications

Services to become NITEL (Nigerian Telecommunications Limited) has built modern telecommunication systems providing Nigerians with varopis services to any Country throughout the World.

The International arm of NITEL (former NET) for and on behalf of NITEL has the full responsibility to provide External Telecommunication Services to the entire nation. Among the services provided are:

(a) International Telephone Services

(b) International Telegraph

(c) Telex and Telex Delivery Services

(d) Public Telegraph Fascimile

(e) Transmission and Reception of Live Television

(f) High Speed Data Transmission

1.2 International Telephone Services

Since its introduction, its volume keeps increading almost at forty percent more especially in International Direct Dailing System. This service has greatly contributed to the growth of the Country in Commercial and Industrial sectors. This facility which was introduced in 1980 is used mainly between Nigeria, United Kingdom, U.S.A., France, West Germany and other major Eutopean Countries.

International Direct Dailing offers quick service to the customers by enabling the customers to call directly any international numbers of their choice without the intervention of exchange operators or distant operators.

1.3 Telex and Telex Delivery Services

This is an automatic arm of the service which has been in operations since 1971. Through this system Nigerians can send and receive telex message from any part of the World. Direct telex facilities exist between Nigeria, London, New York, Frankfurt, Montreal and other major cities of the World. This service is of vital importance especially to business organization with Overseas partners.

1.4 Telegraph Services

There are two types of telegraph services, they are

(a) Private based telegraph: This offers continuous communications links throughout the year to Leases. Customers wishing to have these facilities are charged a prescribed annual fees based on the speed of transmission.

(b) Public telegraph services: This service is provided for the generality of the people who are desirous of sending Telegraphy message abroad.

1.5 High Speed Data

High speed data circuits are very important especially where a lot of information is to be transmitted or received within a very short time. Organization like oil companies do make use of high speed data services for transmission of their messages.

1.6 Transmission and Reception of Live Television

Through this system NET has been transmitting or televising via NTA major world events for the Nigerian Public. Events such as Festac 1977, Olympic Games and World Boxing Championships were seen life by the Nigeria Public.

Therefore, as stated in the above explanation, by nature of its services which hitherto were confirmed to very limited areas in the Southern part of the country as against the numerous customers scattered all over the country, it is absolutely necessary for International arm of NITEL to provide credit facilities. Reasons being that in most cases customers request for the services at different times for different reasons and at a varying level of volume and quality. The fact that the branches of NITEL offices where these services are provided are concentrated within (until the coming back of politics in 1979) the southern part of the Country also made it compulsory to provide credit facilities for the customers who would not have chance to travel down south and effect calls for cash payments. Also being a service Company whose major customers are Government Ministries and or Departments serve as a factor for providing credit facilities.

The provision of credit facility is not an easy exercise because it involves such variables as the purpose for extending credit facilities, the maturity period, the security involved, the initial amount required as deposit, the status of the applicant and the particular characteristics of the individual or organization involved.

Evaluation therefore of the customers to whom credit facility is to be granted is unquestionably important to any organisation that produces goods or services.

It therefore follws that the persons/organization that are likely to be granted credit facilities must, beyond all imagination, prove their creditability, worthniess and above all must be capable of utilizing the opportunities offered by credit facilities. This, therefore, requires systematic and careful approach with a view to granting credit facilities where they are appropriate and genuienly needed.

The issue of evaluation constitutes a problematic area as far as International arm of NITEL services are concerned, because the great majority of its credit customers are ordinary telephone, telex and telegraph subscribers who transact on average small businesses intermittenly. These categories of subscribers include Civil Servants, students and petty traders who are actually low quality and low volume customers.

The high quality and high volume customers are Government and its agencies, firms and major industries, commercial and industrial banks.

As a result of these differences in customer volume and quality it is therefore assumed that it is one of the causes of poor receivables collection policies. Hence the necessity of customer analysis in this study so that the study can help involve meanigful and effective receivables, collection policy.

2. Accounts Receivables (Definition of)

Accounts receivables represents an arrangement through which an organization provides credit facilities to its selected customers. Simply put it is a creditorship arrangement whereby services or product are supplied to the customers, the payment for which is to be settled in a determined future date(s). The aim is to retain the reputable customers by providing them with services while at the same time making profit. Furthermore, the basis for granting credit facilities to expand sales by gaining more customers at an appreciable level of risk. This is inherent in the nature of the product and services the firms offers to the public, the management policies guiding the firms' operations and the competitive atmosphere in which the firm operates. These factors usually affect the volume of credit facilities granted by the firm.

In our text, receivables collection simply defined means the amount of debt owed to the Company as a result of services rendered. Receivables collection therefore is the action that involves the collection of these amounts owed at a specified period agreed upon. In so far as NITEL is concerned based on its current credit terms the receivables become due for collection as soon as the bills are processed. The bills are normally processed at the end of each month when receivables mature for collections.

3. Objective of the Study

The objective of the study is to examine the available data/information on the past and the present receivables collection procedures used in the International arm of Nigerian Telecommunications Limited. From this it is hoped that an insight may be gained in receivables collection derive and the obstacles, constraints or limitations being encountered. It is also intended to examine the full role played by the Finance Department, Operations Department and the Public Relations arm of the Corporate Affairs Department in receivables collection.

The study tried to determine and find out to what extent the subscribers (individual and organizations) take advantage of credit facilities provided by NITEL Ltd.

How also they abuse the previledges granted to them. Finally the study will assessed the basic problems NITEL encounters in its collection derives, in order to determine the failture or success so far as receivables collection based on the past and present procedures are concerned. The study will be concluded by presenting some recommendations for solutions to the problems discovered, thereby evolving a new effective and meaningful receivables collection policy.

4. Scope of the Study

The study is essentially concerned with the problems of receivables collection policy in as much as it contributed to the huge debts accumulated by various subscribers and also losses

that are either written off as bad debts or silently ignored. It also touches avenues and routes which serve as sources of fraud by both NITEL staff (Operators) and customers through connivance and manipulation of machines. Limitation such as transportation problems and technical hitches would also be examined.

Due to data scarsity on North West zone of NITEL, Kaduna and the fact that the study is the first of its kind it is regarded as the first and so far the only attempt to examine this vital operation aspect of NITEL. The study therefore is not only desirable but necessary in order to come out with smooth, effective and practical receivables collection policy for NITEL services.

The study assumes greater importance if we take into consideration the rapid expansion of NITEL services to all the State Capitals.

5. Plan of the Study

The plan of the study was mapped out in such a manner that it would reflect instantly the necessary data and information for its competition. It was therefore planned as indicated below.

5.1 Chapter I: It introduces the study stating among other things methodoloty employed, hypothesis upon which the study was based, objective of the study and its limitations.

5.2 Chapter II: It deals with an overview of Telecommunications in Nigeria as a whole which is an attempt to help in better understanding of communication development in Nigeria.

5.3 Chapter III: The chapter is centred on three main areas:

(a) The Company's formation, organizational structure, corporate objectives;

(b) Development and type of services rendered; and

(c) The creation of North West Zone, Kaduna.

5.4 Chapter IV: It highlights the functions and roles of Operations Department, Finance and Public Relations Departments in providing and scheduling credit facilities for telephone, telex, telegraph services to credit customers.

5.5 Chapter V: In this chapter the study discusses at length the existing policies mentioned earlier and the structure of credit facilities. The existing policies of 'time' and 'amount' have proved inadequate not necessarily because they are bad in themselves rather the structure upon which they are being operated is itself faulty. The aim here therefore is to examine these systems critically hoping all along to show how bad they are and what actually made them bad.

The credit period method is then selected as a new policy which should be used. The chapter explains in detail how the credit period will be improved upon so that it turns out to be a new effective and efficient receivables collection policy. The later part of the chapter will also suggest the way and manner fraud by both the staff and the subscribers can be prevented by protecting the machines from being manipulated.

Briefly, therefore, the chapter centres on the following:

(a) Credit facilities and receivables collection procedures

(b) Credit period system as a new method for effective receivables collection.

(c) Minimization of fraud practices through proper application of new receivables collection policy.

(d) Suggestions and recommendations for proper implementation of new receivables collection policy.

(e) Guidelines and necessary information for credit customers to assist them in prompt settlement of credit bills.

5.6 Chapter VI: This Chapter is the concluding part of the study. In brief it summarizes the necessity for proper and effective receivables collection policy.

6. Hypothesis

For the purposes of this study, the following hypotheses are spelt out as follows:

(a) The Nigerian Telecommunications, North West Zone, Kaduna (International arm) has not implemented practically and effectively receivables collection policy.

(b) The impact of its receivables collection drive has not been responded to by its subscribers in so far as there are many subscribers indebted to NITEL, Kaduna.

(c) The receivables collection policy has aided and abeted fraudulent practices involving staff of Technical Operations and Operations Department.

(d) The way and manner operators in the exchange handle subscribers' calls and subsequently pass information for billing contributes to non-payment of receivables by subscribers.

7. Research Methodology

The techniques for data collection were based on:

(a) Personal Interviews

(b) Questionaire

The aim therefore was to collect primary data only because secondary data could not be available due to the reasons mentioned above.

Both personal interviews and questionnaire methods involved staff of NITEL, North West Zone, Kaduna and many selected credit customers.

The sample size was intended to cover a large representative of staff and credit customers from Sokogo, Kano, Jos, Ilorin, Bauchi and Kaduna.

8. Limitations

Many problems have seriously worked against the progress of the study and its early completion. Some of the major contributing factors were:

8.1 Time Constraint: The time within which the project research had to be conducted was very limited in view of the fact that the necessary primary data was not confined to a particular source. It involved touring the grater part of Northern States (Kano, Sokoto, Bauchi, Jos, Niger and Ilorin). Such time consuming exercise in addition to continuous academic work proved very difficult to carry out satisfactorily.

8.2 Merger between NET and P & T: The project was planned to cover only former NET. But with the recently concluede marger between NET and P & T to form NITEL, many issues and points in the original form of the project had to be altered.

8.3 Motor Accident: Another unfortunate incidence which affected the early completion of the project had to do with the unfortunate major accident in which the researcher was involved on 1 July, 1985. This incidence greatly affected the performance of the researcher. However, despite all the difficulties greater effort has been put in order to present a reasonably acceptable project work.

CHAPTER II

TELECOMMUNICATIONS IN NIGERIA AN OVERVIEW

Of all the various means and methods of communications available to mankind telecommunications appear to be the most complex and versatile.

Telecommunications have been defined as "any telegraphic or telephonic communication of signs, signals, writing, images or sounds of any kind by wire, radio or other system of electric or visual signalling"[1]. Thus from the above definition it could be easily infered that in any modern society its daily acticities are invariably dependent on cummunications. This is so because ninety percent of all acticities in modern society are carried out one way or the other through communication. It therefore becomes vital in Government establishment as well as private enterprises. In Nigeria like in most developing countries communications have since inception been the monopoly of the Government. Therefore it had to compete with other services in the allocation of available Government services and consequently its development lagged behind those in other activities such as agriculture, commerce and education.

Telecommunications development overview is represented in this chapter to reflect the technical development of both Internal and External telecommunications in Nigeria. As is already known the basis of External telecommunications is principally based

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1. Richards Adeniyi, Evolution of telephone services in Nigeria, Headlines 149 Vols. July, 1985; p. 2.

on efficient and sound network of Internal telecommunications, therefore much emphasis has been given in this overview to the development of Internal Telecommunications.

Initially in Nigeria the concept bhind provision of telecommunication services was to enhance and support the administrative needs of the Colonial Era. This concept was upheld on the basis that Nigeria has to reach a certain socio-economic level before the demand for public telecommunications services could arise. However, time and rapid technological trend had proved this wrong because efficient communications services are necessary for accelerating the growth of the commercial, industrial and social development of any nation.

2.1 Nigerian International Circuits

"The first direct telegraph service between Lagos and London using submarine cable was put into service in September, 1886, by the African Direct Telegraph Company Limited which later merged with cable and wireless to form the Imperial and International Communications Limited"[1].

Realising the important role of communications in International relationship the Federal Government in 1962 acquired fifty-one percent equity share participation in the Company. Ten years later as a result of Indegnisation Decree the Federal Government in 1972 took over full control of the Nigerian External Telecommunications Limited.

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1. The President; Magazine for Decision Makers, History of NET. 3 Vol. 2 Nov./Dec. 1982, p. 22.

since then NET Ltd. in its role as the gateway to International telecommunications has been providing reasonably good external telecommunications services. "Thus as in most International networks, the volume of International traffic has increase tremedously especially with the cut over of the new computerized International telephone exchange in September, 1979".[2] Further achievement was also as a result of the Introduction of International Direct Dialing (IDD) facilities.

Lagos and of course the entire Country has been connected with the Republic of Benin via a 960 channel microwave links, the 240 channel submarine cables system linking Lagos - Abidjan, Dakar, Moroco and France, also provides system diversity for the earth station of Lalante from Nigeria to the Ivory Coast, Senegal, France, Germany and Italy. Further development in International circuits was also made in May, 1983 with the opening of Kaduna Kujama Earth Station as the second gateway. The third gateway is soon to come up at Enugu. "Nigerian External Telecommunications (NET) came into operation on January 1963. By January, 1985, the Nigerian External Telecommunications and the Posts and Telecommunications were merged together to become Nigerian Telecommunications Limited (NITEL)".[3]

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2. Ibid p. 22.

3. Richards Adeniyi Evolution of'Phone Services in Nigeria Headlines 149 Vols. July, 1985; p. 2.

2.3 National Telecommunications Network in Nigeria

Although, it might appear difficult to precisely determine the exact date the electrical communications services started in Nigeria, it is on record that Lagos was connected to Ilorin and Jebba in 1893. The system of connection consisted of an iron wire earth-return-circuit built on wooden poles by the Public Works Department. Ten years later (1903) a network of telegraph system was further set up linking several parts of the Sourhern and Northern provinces of the Country.

"When the Posts and Telegraph Department (P & T) took over from the Public Works Department in March, 1907, its main task was to embark on the reconstruction of the then existing routes in the Northern part of the Country and also the carry out some telegraph developments in the South".[1]

After the amalgamation of Southern and Northern provinces in 1914 to form what is now known as Nigeria, P & T Department also unified all its various sections in the country to become one unified service known as Posts and Telegraph Department. This unification however did not produce immediate result, development - wise due to shortage of manpower caused by second World War II. Consequently little expansion followed this amalgamation.

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1. Richards Adeniyi, Evolution of 'Phone Services in Nigeria. Headlines July 1985 149 Vols. p.2.

2.3.1 Telephone Services

The impact of the remarkable progress in telecommunications in Nigeria was made possible by equally remarkable progress in the nation's economic and social changes.

"From early back in 1960 the number of direct telephone lines grew from 18,724 to 56,702 in 1976 and by 1983 there were over 300,000 waiting list for the provision of telephone lines".[2]

The services offered to the public have changed rapidly over the period from 1960 to date. Initially, all telephone trunks services were handled by telephonists and completed manually.

Right from the Colonial period communication system was based on two tie line involving two persons. Communications started by one person generating a call to the other person through the use of manual effort. The person who wanted to send a message to the other person would have to generate a call by winding the generator which would in turn raise a signal for the distance party to receive and the message is transmitted.

By early 1960's certain operator trunk dialing (OTD) facilities were introduced.

Later subscriber trunk dialing (STD) was introduced principally between Lagos and Ibadan. This was expanded by 1972 to major cities in the country.

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2. AYARI DR. C. The role of Development Banks; Nigeria celebrates 16th World Telecommunications Day p. 14.

This method of sending the message by generating a call was later replaced by the use of magnetor. It is an improvement on the tie line system. The magnetor had an exchange involving more than two persons. It could transmit messages from two persons to about one hundred persons at the same time. Here subscribers as many as two to hundred could generate calls through the exchange and the calls would reach the required or desired destinations. In this system after the subscriber had made a successful call, he would raise the operator again in order to let him know that he had his call through. The advantage of this system over the tie line system is that it has small voltage which gives clear conversation.

The magnetor system however proved time consuming, costly and involved a number of people required to man the exchange. Therefore, there was need to develop another system of communication, Thus central Battery system was introduced which with the exception of Lagos and Portharcourt exchanges it had been the system being in use since independence. The Central Battery system has replaced both the use of hand generator and local battery. Depending upon the size of the exchange, the central battery system used only one central battery usually placed near the exchange. This battery has a high voltage capable of providing clear communication between the two parties in conversation. With the central battery the subscriber needs only to lift the telephone hand-set. Through the hand-set the attention of the operator is drawn by means of signal informing him that the subscriber want to communicate with the distance party.

The operator will then request the subscriber to indicate the number he wants to call. The operator will then dial the number requested ard ask the subscriber to speak on.

After the conversation is over, the subscriber needs only to replace the hand-set back on the cradle.

The Central Battery system was later replaced by the 'Step by Step' automatic rurax system. The introduction of this system became necessary because the central battery system involved wastage of time between connecting the subscriber and the distance party. Thus the operator is elimiated and replaced by the machine. In this system, the subscriber only lifts the telephone hand-set and waits for the dialing tune to indicate whether the telephone is free, engaged or out of order before the subscriber goes on to speak. Where the subscriber is given the dialing tune then he goes ahead and dials the number he wants. In this system the subscriber does not need the human operator to transmit the message for him.

Rurax is installed for small community that requires an improved telecommunication system. Rurax for small community provides service for between 50 - 100 or even 1000 lines.

The next innovation in telephone communication is the cross-bar (X-bar) system. It is partially the same with Rurax because the subscriber has to lift the hand-set and dial the number he wants. But immediately after dialing the required number the subscriber gets immediate feedback informing him whether the line is free, engaged or out of order. It also registers

effective calls immediately the call is through, unlike other system which involves manual recording of effective calls. Because it is concerned with time cross-bar is highly sensitive. It is the system now being operated throughout the country except in Lagos and Port-Harcourt exchanges where electronic system is introduced.

2.3.2 Telegram

The telegram systems like telephone systems had also undergone changes since inception. Initially in telegram morse-code was the system being used. Like the earlier tie-line telephone system, morse-code also was two person communication affairs. With the morse-code whenever a message is being sent the telegram key was to be used on the sender line through wihich the message in a coded "dit-dat" is passed to the receiver. This was an old method of sending telegraph message but it is still effective. When the message is transmitted the sender turns the key to reset at the sender. Through this process both the sender and receiver will confirm that the message has been transmitted.

From the morse-code system an improved method of sending telegram was introduced. This is the wireless code system. In this system the use of cable wire is eliminated, and only a transmitter and receiver are used. This system proved faster and more reliable.

Finally, the wireless code is replaced by teleprinter. Here a type is provided where the messages are perforated. The type is played and relayed to the distance party who will receive the coded messages and decode them accordingly.

In any developing or developed country, the idea or more specifically the objective of communication is to make the policy makers or the users of communications service understand the importance of communication in the development process.

"The importance of telecommunications cannot be over-emphasized because of its inter-relationship with economic growth, social activities and cultural development of a nation. According to telecommunications experts efficient and reliable communication has great effect on not only the education of the people but also their industrial growth".[1]

The industry is growth-oriented, and this growth is based on expanding telephone facilities, as well as modernization and replacement of existing facilities to improve service quality and reduce maintenance.

Therefore, it is very important that Nigerians become aware of the role communications play in the economic development of Nigeria.

To this effect the Nigerian Government has invested a lot of money in the communication industry, yet the performance of both Internal and External Communications system leaves much to be desired. This failure is however as a result of many constraints among which the prominent are financial and technological under-development.

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1. B. G. BAJOGA, Telecommunications - Expanding Horizon; World Telecommunications Day Celebration, 1983 p. 12.

It is pertinent therefore to examine the performance of the telecommunications system in Nigeria. "Although there is a very heavy Government investment in the Industry, the telecommunications system is still not very much productive, and largely restricted to transmission of voice. Except with External Telecommunications where facilities such as fascimile are provided, data communication is very minimal".[1]

The steps I, II & III have been completed. The coaxial cable system between Lagos and Kaduna has been commissioned. Most of the manual and step by step exchange have been replaced with cross-bar exchanges. The problematic acrostat system which had always been controversial would have been commissioned had the project been completed on schedule.

Therefore, looking at the communications industry from the point of view of the investment made, there is no reason why it should not perform well. But the fact is that both Internal and External Telecommunications are very poor in Nigeria. The reasons as earlier stated are many and varried.

"According to investigation carried out by the Department of Electrical Engineering, A.B.U., Zaria on telephone systems using computer simulation (computer simulation would allow the investigators to observe the performance of large section of the telephone system in the country) many interesting results were revealed." [2]

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1. B.G. BAJOGA, Telecommunications - Expanding Horizon, World Telecommunications Day Celebration Nigeria, 1983; p. 12
2. Ibid; p. 16

The result of simulation showed that three major factors could adversely affect the performance of the country's telephone network.

These are:-

(a) Insufficient equipment.

(b) Poor maintenance of existing equipment.

(c) Radio transmission failure.

It was proved that insufficient equipment might not be a big problem of the step by step exchanges while it might represent only minor problems with the cross-bar exchanges if the average call interval is not less than four seconds.

With regards to maintenance, it is established that there is a lot of room for improvement.

"The high failure rate of radio channel as indicated in table below prompted further investigations to determine the causes of such high frequency of failures".[1] The table gives high frequency of the daily fualt analysis as recorded in Zaria carrier room within a period of one month.

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1. B.G. BAJOGA, Telecommunications - Expanding Horizon, World Telecommunications Day Celebration Nigeria, 1983; p. 19

TABLE 2.1: HIGH FAILURE RATE OF RADIO CHANNEL

Causes of Fault	No. of Faults	Percentage of Total No. of Faults
Public Power Supply	24	52.1%
Radio Equipment Fault in Zaria	3	6.5%
Radio Equipment Fault in Kaduna, Kano & Gusau	11	23.9%
Unknown	7	15.2%
False Alarm	1	2.1%

Source: Compiled from World Telecommunications Day Celebration Reports as cited by B.G. Bajoga (1983) P. 19

The table above shows that there were 46 recorded radio faults for the month considered, thirty percent of the faults were due to radio equipment problems. The effect of this percentage will be very minimal if repairs were to be effected immediately. On the other hand fifty percent of the failure was due to the public power supply. Thus it could be inferred that the high frequency and unusually long lasting public power supply failure is a major cause of the high rate of radio transmission failure.

From the above computer simulation investigation one can therefore conclude that some of the major factors adversely effecting the performance of telephone network in the country are:

2.3.3 Power Supply Failure

That is the public supply system (NEPA) or may result from breakdown of any of the electricity generating plants at the stations or repeater stations.

2.3.4 The High Equipment Failure Rate

If the maintenance of equipment was good, the high equipment failure rate could not have a very adverse effect. In Nigeria, however, maintenance is always a problem as many technical staff do not bother to repair equipment intime.

2.3.5 The Third Factor is due to Insufficient Equipment

This became more acute when some of the trunks fail and are not repaired on time.

Finally, for successful economic development of Nigeria, through the Industrial and Commercial Development, is very necessary that communication network for telephone, telex, telegraph, etc. are developed to full capacity and persistently maintained to ensure transmission of messages across the world. The world economy in general and business world in particular is so dynamic that every now and then it keeps changing. Changes towards positive economic development must therefore keep abreast with changes in International Communication. Therefore, Nigeria must ensure that its communication network is up to date and operational at all times.

CHAPTER III

NIGERIAN TELECOMMUNICATIONS LIMITED

3.1 FORMATION, CORPORATE OBJECTIVES AND ORGANIZATIONAL STRUCTURE

3.1.1 Formation

Despite the fact that it may be assumed that much about the history of NITEL is well known, it will not be out of place to mention further some few historic points in respect of the Company for the purpose of knowing what the Company was, what it is now and its likely future course.

Long before the system of modern communications came to be used in Nigeria, various curious and crude means of communications such as smokes, fires, bells, drums and trumpets had been employed.

Though the exact time when modern electrical communication devices came to Nigeria could not be precisely established, it is on record that the commencement of modern electrical communication dated back to the year 1893 when Lagos was first connected to Ilorin and Jebba by telegraph. By 1903 (ten years later) a network of telegraph services system had been set up linking several parts of the sourthern and northern provinces of the country. When the Posts and Telegraph Department (P & T) took over from the Public Works Department in March 1907 its first task was to reconstruct then existing routes in the North and also carry out some further telegraph development in the Southern

Provinces. 1914 saw the unification of all Telegraph and Postal Departments in Northern and Southern Provinces. Hence the establishment of Internal Telecommunications in Nigeria.

With External Telecommunications the picture appeared appreciably different. Before the merger between former NET and P & T, the External Telecommunication Services in Nigeria dated back to the year 1886, (about 99 years old) thus making it one of the oldest establishment in the country. These ninety-nine (99) years have seen the company changing from one form into another. The first direct telegraph services was operated between Lagos and London in 1886 through a submarine cable, by the African Direct Telegraphy Company. This Company together with other telecommunications companies later merged and became Messrs Cable and Wireless Limited. Messrs Cable and Wireless limited took the responsibility for communication services from 1886 to 1962 when the Federal Government of Nigeria acquired fifty-one percent of its equity share capital. This action gave birth to the name Nigerian External Telecommunications and it remained even after the final acquisition of the remaining forty-nine percent shares of Messrs Cable and Wireless Limited as a result of Indegenisation Policy of the Federal Government in 1972. By 1 January 1985, NET and P & T were merged together to form Nigerian Telecommunications Limited (NITEL). The Nigerian Telecommunications Limited is the result of a merger of the Nigeria External Telecommunications Limited (NET) and the Telecommunications Division of the Post and Telecommunications Department which was responsible for

Internal Telecommunications. NITEL is a private Limited Liability Company with the Government owning the controlling share. The Company is expected to be fully responsible for the provision and the maintenance of telecommunications services within and outside the country. For all corporations or organization, corporate or organizational objective(s) forms the firm and concrete base for its existence. Such objective(s) may be provision of some services or the production and sales of goods such as household items, farm implements or processing and supply of essential items like water and electricity. The objective may be stated categorically in writing or implied through the acts of the organization concerned.

Objective(s) differs between organizations within the Government control and organization solely concerned with private business or ventures. "In Government, the corporate objective is usually one of general development of the nation and citizens in which case a lot more emphasis is laid on the general well-being of the citizenry and the overall development of the nation. In business however, profitability receives greater emphasis".[1]

Depending upon which area an organization is, once the organizational objective is defined and agreed upon, policies would be formulated for successful attainment of the organizational objective(s). These policies are formulated and judiciously

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1. Nathaniel Zome, Corporate Objectives of NET Ltd., Seminar for Senior Managers of NET Ltd., 1984 21 - 23 Nov., p. 2

applied through proper and effective co-ordination and control to ensure smooth implementation and successful execution to achieve the set objective(s).

Nigerian Telecommunications Limited is a solely Government owned Company and therefore, by implecation, it may qualify as one of those organizations within the ambit of government control and as such is assumed to be a charitable or welfare service organization. This however, is not the case. The corporate objective of NITEL as stipulated in its Memorandum of Association Article 3, Sub-section (2-9) states clearly the mission of the Company and further outlines the broad policies that will lead to the successful attainment of the mission stipulated therein.

In nutshell, the corporate objective of NITEL is "to carry on for profit in Nigeria, the business of internal and external or overseas telecommunication common carriers and to that end to conduct telecommunications services of all kinds to such point within and outside Nigeria (including ship to shore telecommunications services within Nigeria territorial waters) as the Company shall seefit".[1]

In brief therefore, the above is the cardinal or prime objective for which NITEL was established, but the Article of Association attempts or rather expands further to identify and define some minor objectives which include among other things Company's obligations to its employees and the shareholders, i.e. the Federal Government and the Nigerian public.

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1. Ibid; p.5

One issue which is fundamentally important in the above submission is the fact that the Federal Government never intended to set up NITEL as a welfare or charitable organization. Rather the profit motive has been repeatedly emphasized and hence profit making is of great importance. Therefore, put in simple language NITEL was set up to provide efficient internal and external telecommunications services to the interested Nigerian public at a reasonable cost and to make profit. Thus the corporate objective of NITEL was based on concrete, categorical and realistic footing rather than on a utopian and idealistic approach. In the other words, the objective has been stated in a realistic and achievable framework, that given a suitable organization/management structure, with sufficient funds and qualified personnel there will hardly be any obstacle to hinder or prevent the attainment of the set objective(s). After all NITEL in Nigeria has a monopoly of external telecommunications business.

Being a monopoly in the external telecommunications business in Nigeria, NITEL has therefore all the potentials for growth, survival and above all profitability which is its prime objective. What is required is doing quite a number of things. Thus in his own words N. Zome, 1984 p. 6 states that "for the realisation of its declared objectives NITEL has to embark on quite a number of things ranging from the design of suitable organizational structures, allocation of responsibilities and resources and systemitization of operational procedures".

Precisely speaking one cannot but agree with this honest and fundamental observation. The absence of all the three factors has actually contributed to the woeful performance of NITEL as a business organization established for profit making. Many people including my humble self are of the view that if NITEL were to be managed on the same line like U.A.C. Limited, Julius Berger of Nigeria Limited, NITEL would have been the real 'gold mine' it was thought to be for Nigeria. Here lies the mockery of privitazation of Government owned parastatals without changing their policies and organizational structure to truly reflect a common private organization.

3.2 Structure

The structure of NITEL by all standard is worthy of appreciation. But no matter how well established the structure of an organization is, so long as the operational policies are subject to manipulation from a body outside the organization there is hardly any appreciable effective performance. Such is the case with NITEL. A business venture established for purposes of profit making but subject to constraints from parochial government rules and regulations highly incompatible with what is obtained in business sector.

Structurally, the company is divided into five main Zones with Administrative Headquarters in Lagos.

(a) Lagos Zone consist of Lagos State with Headquarters in Lagos.

(b) South-West Zone comprises of Oyo, Ondo, Ogun and Bendel States with Headquarters in Ibadan.

(c) South-East Zone comprises of Anambra, Imo, River and Cross River States with Headquarters in Enugu.

(d) North-West Zone comprises of Kaduna, Sokoto, Niger, Kano, and Kwara States and New Federal Capital at Abuja with Headquarters in Kaduna.

(e) North-East Zone comprises of Bauchi, Plateau, Borno, Gongola and Benue States with Headquarters in Bauchi.

There is the management team headed by Managing Director. The Management team is charged with the day to day running of the Company's activities. The Managing Director as the head is being assisted by six Directors at the Headquarters and five Zonal Managers at Zonal levels. There are the offices of Chief Internal Auditor and Company Secretary directly responsible to Managing Director.

Under this structural arrangement, the Company is administered by the Board of Directors who are appointees of the Government. It is the Board that makes policies and provides direction for the implementation.

3.3 Types of Services Rendered and Development in NITEL

Today NITEL has succeeded in building modern telecommunications system providing Nigerian with various services to any part within the nation/country of their choice throughout the world. Services offered by the Company include the following:

(a) Internal Telephone

(b) International Telephone

(c) Internal Telegraph

(d) International Telegraph

(e) Internal Telex and Telex Delivery

(f) International Telex and Telex Delivery

(g) Lease Circuit Telegraph

(h) Public Telegraph Facsimile

(i) Transmission and Reception of Live Television

(j) High Speed Data Transmission

"These services are offered on 24 hours daily and are obtainable virtually in every State Capital except in cases of Nos. g - j which are only available at Lagos Marina Office".[1]

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1. Editorial. "History of NET Ltd." The President, Magazine for Decision makers; 2 November, 1982; Vol. 3 p.2

3.3.1 Services

(a) International Direct Dialing (IDD): This is a do-it-yourself system. The subscriber dials dials the telephone number he requires and gets his call through to the distence party. This system is fast getting ascendance over Operator's assistance calls. It has relieved the telephone users of waiting on Operators for their calls. The pleasure and comfort of direct dialing system compensates the subscriber for the registration fee payable for the service. On the other hand, it relieves NITEL Operators of congestion and had habits of some subscribers to jump the queue at any cost.

(b) International Telex Exchange: Telex service is virtually the same in operating with telephone system because telex subscriber is full in control and can establish international telex connection without Operator's assistance. The connection to Overseas is immediate and charges are based on minute by minute of use. Privacy and secrecy are assured and records of discussions are printed for future references.

This service unlike telephone is mainly requested for by firms and business organizations and government agencies.

(c) International Telegram Service: This is the oldest system of Overseas communication. It has diversity in applications for individual contract, social greeting, business transactions, etc.

(d) Live Television Broadcast: World events such as Annual Muslim Hajj in Saudi Arabia, Christmas celebration by Pope in Rome, International soccer matches, world boxing championships and olympic games are received through NITEL Satellite system and broadcast into domestic television sets by Nigerian Television Authority.

Also like programmes from interested individual can be received or transmitted through Satellite on request.

(e) Lease Services: NITEL offers private leases on telegraph and telephone services. This service is totally private and reduces enormous spending on telegraph and telex services overseas. Charges are determined by speed of transmission. Lease services are very popular with oil companies, Airlines, Banks and other organizations who have volume of data to transmit.

3.4 Development

Long before the merger of NET and P & T to form NITEL by the Federal Military Government, the two different communications departments had separately carried out several number of telecommunications development throughout the Country. A number of vital stategic telecommunication projects had been embarked upon and successfully completed by the then NET in accordance with the objectives of providing external telecommunications services for the growth, survival and profitability of the Company.

Such projects include the followings:

(a) Construction and Commissioning of Lalante Earth Station and its transmission links in 1972.

(b) Expansion of Lagos International Telex and Telephone switching centres.

(c) Expansion of submarine cable links.

(d) Completion and commission of the Kujama Earth Station in Kaduna.

It can be recalled that in the early and late 1970s External Telecommunications services were only available to subscribers in Lagos and its environs. This state of affairs was far from being adequate and positive in achieving the objective of NET to provide external Telecommunications.

"The Company therefore embarked on most of the projects mentioned above, the result of which culminated in establishing NET branch offices in all the 19 States of Federation each fully operational to render most of the external telecommunication services. The ultimate goal is to make the service available at all local and state government levels".[1]

In terms of revenue generation, the Company can claim to have made some remarkable achievements. According to the Company's audited accounts of 1978 - 1982 saw tremedous growth in business. Revenues yielded for the period in questions are as follows:

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1. N. Zome, Corporate Objectives of NET; Seminar for Senior Managers of NET, 21 - 23 Nov. 1984; p. 8

1977/78	-	₦33m
1978/79	-	35m
1979/80	-	56m
1981	-	96m
1982	-	119m

"During the same period the Company's net profit after taxation stood at ₦4.8m, ₦7.1m, ₦4.2m and ₦16m for the years 1977 - 1982 respectively".[1]

It should be noted that much of the figures mentioned above in terms of profit are sometimes profit only in accounting terms because much of the revenue reflect book value not actual cash collected. The profits are therefore questionable. For example, out of a total of ₦106,033,647. 55 owed the Company by subscribers at 31 December, 1983, a huge amount of ₦30,487,768.20 represents subscribers debt whose addresses cannot be traced.

3.4.1 Constraints

In its effort to meet its objectives NET has been operating within several constraints since its inception. Such constraints are many and varied. They include among others the followings:

(a) The postal wing of the Post & Telegraph Services caused a lot of delay in NET revenue collection drive because of delay in the delivery of bills to the customers.

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1. Ibid; p. 9

(b) The NET cannot operate without the co-operation of the Internal Telecommunications Services. The Internal Telecommunication wing of P & T for terminal connections of telephone, telex, etc. proved to be highly unrealiable. Because they provide the lines NET use to reach subscribers, their unreliability affects the effectiveness of NET services.

(c) Inadequate links between national and international Networks also poses another problem. Becuase of the insufficient number of circuits, there is bound to be congestion such that calls going outside the country at certain times of the day could never get to NET for final transmission.

(d) National Electric Power supply for the generation, transmission and distribution of power on continuous bases is also unreliable.

(e) Equipment problems: None availability of spare parts needed for effective maintenance of equipment has resulted into high incidence of equipment breakdown. This in turn led to considerable number of NET telephone and telex operating positions being out of order.

These constraints as mentioned above greatly affect the effectiveness of NET in achieving its national objective.

3.5 Creation of Kaduna North-West District

As has been stated earlier, the objective of NET is to provide external telecommunication services at reasonable cost and to make profit. In order to achieve this objective, the NET therefore, had to devise a policy of expansion and diversification.

Also in addition to achieving its set objective, NET like any other profit organization owned by the Government has the obligation to contribute in industrial development of the Nation".[1]

It has been on record that in the early and late 1970s, External Telecommunications Services were mainly obtained in Lagos and its immediate environs. This stand obviously negates both the effort of NET in achieving its objective and its desire to contribute in industrial development of the Country.

Therefore, in addition to achieving its objective, both economic and political pressures forced the Management of NET to take a major decision in late 1974 to establish another Gateway Complex in Kaduna in order to compliment the existing one in Lagos. Through this decision to establish second Gateway, a number of NET branch offices were established all over Northern States. The complex comprised:

(a) The most modern satellite Earth Station located in Kujama near Kaduna town.

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1. Editorial. "History of NET Ltd." The President Manazine for Decision makers. 2 November 1982; Vol. 3 p. 35

(b) Computerized electronic international telephone switching centre.

(c) Computerized Telex Exchange system

The Kujama Satellite Earth Station construction was completed and the Station was commissioned in May, 1982. The station is capable of tansmitting three radio frequency carriers to countries in Europe, Middle East, North and South America.

The computerized Electronic International Switching Centre has already been completed. This exchange provides facilties for rapid interconnection of International telephone traffic. It is fully automatic with baring facilities against defaulting customers. The exchange is located at the Kaduna North West District building along Lafia Road. This exchange is primarily built to provide telecommunication services to major Cities and towns in Northern States but it does provide services for Southern States from time to time whenever there is need for that.

The computerized telex exchange is supposed to be full pperational by now, but for whatever reasons it is yet to become fully operational. However, telex serviced on skeletal basis are being provided for customers both at the District Headquarters and Branch Offices.

The Kaduna North-West District Office like the NET Headwuarters, structually had eight divisions and was headed by the District Manager who was assisted by eight sectional heads in charge of Finance, Engineering, Commercial, Management Information Services, Works & Property and Public Relations Section.

Administratively, the district is unaswerable to NET Headquarters in Lagos. It had little or no autonomy. Functionally, however, the district was fully operational with most of the services available for the subscribers.

Principally this district with branches all over Northern States was established to provide external telecommunications services for the customers all over Northern States. As at today, the district has greatly more than justified its creation as has been testifies by its volume and quality of customers.

With the internal telecommunication (former P & T) through the help of the Federal Government, many telecommunications development had been undertaken.

By the end of second national development plan (1970 - 1975) Nigeria with a population of 80 million people had 56,000 telephone lines to serve them (an average of 0.7 line per 1,000 people). This proved most inefficient for meaningful economic and social developments. It is for this reason that the Third National Development Plan, Phase I, provided the 'contingency plan' in Maroh, 1975 aimed at providing additional 167,000 lines in 45 locations within the Federation.

"Between 1979 and 1982 contingency plan exchanges and mobile exchanges in the following locations (See Appendix C) had been completed, commissioned and put to service with a total number of 82,800 exchange lines added to the network".[1]

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1. Richards Adeniyi, Evolution of 'phone services in Nigeria' Headlines; 149 Vol. July, 1985; p. 3

Phase II of the Third National Development Plan awarded contracts in 1976 for expansion of services in 147 locations within the Federation. The contract involved work or provision of internal line, switching equipment and construction of building for the installation of the equipment. "Work had infact been completed in the following twenty-three locations and the exchanges provided another 8,200 to the network".[1]

Table 3.1: Exchange Locations and Capacity - Third Natiional Development Plan, Phase II, 1976

Location	Capacity
Badagary	1000 Lines
Ado-Odo	100 "
Otta	500 "
Auchi	600 "
Sabongida	200 "
Ikotodu	1000 "
Agum	300 "
Ihiala	200 "
Igarra	200 "
Ogidi	300 "
Uromi	500 "
Umunede	200 "
Isele-Uku	200 "
Ubiaja	400 "
Abraka	200 "
Obianiku	200 "
Ughilli	500 "
Orerokpe	200 "
Ozoro	100 "

Source: Richard Adeniyi, Evolution of 'phone Services in Nigeria', Headlines 149 Vol. July 1985; p. 3

1 Ibid - 1985; p. 4

Another dimension in the telecommunications development plan relates to the Ministry of Communications' efforts to balance out geographical distribution of telecommunications facilities. A total of thirty-four locations with an overall capacity of 22,600 lines are to be provided with mobile exchange facilities. Work has already commenced in 18 locations but the present austerity measures may delay the completion of the project. The locations are as follows:

Location Oko Exchange Capacity 500 lines, Misau 500 lines, Aladge Steel Town 1000 lines, Dekina 1000 lines, Ankpa 500 lines, Jaji 1000 lines, Dutsin-Ma 800 lines, Gumel 500 lines, Ajaokuta 1000 lines, Bonny 800 lines, Onne 500 lines, Zuru 500 lines, Yabo 500 lines, Suleja 1000 lines and Billiri 1000 lines.

Others are Katsina-Ala 1000 lines, Mallam Katori 500 lines, New Marte 500 lines, Ugep 500 lines, Omoku 500 lines Efwerazu 500 lines, Funtua 1000 lines Malumfashi 500 lines, Birnin-Kudu 500 lines, Kazaure 500 lines, Oro 1000 lines, Igbaja 500 lines, Kagara 500 lines and Talata-Mafaru 500 lines.

If the austerity measure does not disrupt the plan, it is envisaged that a total of 125,473 subscriber lines would be provided as against 67,942 working lines as at December, 1973. The provision of a new national transmission is one of the major telecommunication projects in the piepeline.

On completion, the nation will be guaranteed an efficient and reliable transmission system of wide coverage and alternative routing capability to replace the existing system which has served its full span of economic life.[1]

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1. Richard Adeniyi, Evolution of 'phone services in Nigeria, Headlines 149 Vol. July, 1985; p. 4

CHAPTER IV

SCHEDULING AND GRANTING CREDIT FACILITIES

This chapter as was earlier explained deals with functions and roles of three important departments vis-a-vis granting credit facilities and receivables collections. These departments are Operations, Finance and Public Relations. To a very large extent each and every one of these departments plays a very important role towards granting credit facilities and receivables collections. Often some of the duties performed by these departments are highly closely related to the extent that they sometimes appear repetitive. However, if properly examined it is discovered that though they may appear as duplication of effort, all the same, the performnance of each activity by more than one department becomes necessary if procedure is not be violated.

As was pointed out in the definition of receivables collection, the basic aim of granting credit facilities is to expand sales by gaining more customers at an appreciable level of risk. The principle therefore, binding the policy for granting credit facilities aimed at expanding sales within a minimum level of risk is associated with the nature of product/ service the firm offers to the customers, firm's operational policies and the competitive atmosphere in which the firm operates. Generally, these factors affect the volume of credit facilities granted by the firm.

4.1 Services

As far as NITEL (International arm) is concerned, only two factors above are of interest, i.e. the type of services rendered and the firm's operational policy. The competitive atmosphere does not exist because NITEL has the monopoly of telecommunications business in Nigeria.

The type of services offered by NITEL are communications services for the interested persons or organizations. These individuals/organizations will naturally increase in volume and quality as long as the services they normally require are provided satisfactorily. More importantly, customers are always willing to purchase on credit and pay at some future agreed date for obvious reasons among which are the following:

(a) Credit customers do make requests for NITEL services most often from very far distant places away from the sources of these services and therefore are not expected to travel down and pay immediately after the services are rendered.

(b) Most credit customers are big business organizations or very rich individuals who request for services almost always and at a high volume. It is therefore cumbersome for them to make payment every now and then after service is rendered.

(c) Government Departments and Agencies are major customers to NITEL. These agencies and departments request NITEL's services for and on behalf of the Government. By its very nature of settling its bills incurred on its behalf, the government takes time before it settles the bills. Thus, by implication services are rendered to the Government on credit.

The other factor that is operational policy of NITEL demands that services to granted to selected customers who are presumed to be reputable and reliable in order to increase sale and make profit.

Before going into the various roles played by each of the three departments in granting credit facilities and receivables collection, certain terms which are repeatedly used in this study ought to be explained for better consumption of the reader.

4.2 Terms

(a) Credit Terms: These are factors that distate the operations of credit facilities. They include length of the credit period and discount granted.

(b) Credit Period: This is the duration for which credit facilities are extended to the customer stated in terms of dates and months when the credit matures.

(c) Credit Limit: It refers to the amount and time period for which the credit is granted. Decision on the size of credit limit depends on the amount of sales generated and

the customer's frequency of purchase of service, financial strength and social standing. Regular customers with good reputation enjoy credit line. i.e. maximum a firm can allow to be owing at any given time.

(d) Credit Standards: This more or less depends on the personal characteristics of the customer and his financial and social standings. Credit standards include character, capacity, conditions and collateral. Where credit standards are relaxed the level of receivables are likely to be high as against where standards are tight.

(e) Collection Procedure: These are methods adopted to recover receivables outstanding. These include phone calls, personal calls, letter and court action. Its objective is aimed at speeding collection from slow payers and non-payers.

4.3 Operations Department - Functional Contributions and its Roles in Granting Credit Facilities and Receivable Collection.

Operations Department by nature of its operations is a very important department in NITEL. It is this department that provides all kinds of services requested by customers. It is the Chief Operator and Seller of Company's services.

In order to function effectively and achieve its objective, the Operations Department is divided into three sections viz;

(a) Operation Unit

(b) Marketing Unit

(c) Chief Commercial Officer's Unit

These units are assigned different responsibilities according to the Company's commercial policy aimed at satisfying the needs and wants of the customers.

4.3.1 Operation Unit: This unit which takes direct responsibility for the provision of Telephone and Telex/Telegraph services broadly speaking handles general operations and provisions of all services rendered to customers in Kaduna North West District. "It is also responsible for organizing, co-ordinating and controlling operations in keeping with the Company's set objectives."[1]

Specially the operation unit is responsible for ensuring that both account customers and public counter customers from various parts of the district to receive Internal Telephone, Telex/Telegraph services whenever they request for them. The unit therefore has the responsibility to ensure proper and efficient management of all services for both account customers and publc counter customers. "In addition to the above, the operation unit is also responsible for effective co-ordination of all marketing efforts of the Branch offices purposely to ensure that all commercial records at the Branch offices are maintained and properly kept in accordance with NITEL requirements".[2]

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1. Bashir El-Rufai - Commercial Operations and Performance Analysis, Commercial Services, NITEL Kaduna, January, 1985; p.1

2. Ibid, 1985; p. 1

4.3.2 Marketing Unit: This unit does select customer/market targets and manage them resourcefully in order to make profit. It is concerned with ensuring that customer/markets needs and wants are identified and satisfactorily provided. In order to achieve this, the unit is divided into two sections.

(a) Customer Services Section: It is responsible for the maintenance of good customer relationship through effective customer handling; i.e. paying prompt attention to customer's complaints. The Customer Services Section also liaises and obtain necessary information from both account customers and the public counter customers for the use of management information services as well as finance department for billing purposes and planning functions. This unit is also responsible for liaising with and monitoring the activities of Finance Department on the effectiveness of collection policy of accounts receivables and compiling a list of debtors for baring and other penalties in accordance with Company policy.

(b) Research and Planning Section: The section takes sharge of designing sales promotion plan and evaluation of advertisement and promotion effectiveness. It is also responsible for determiningtrunk utilization to various countries.

4.3.3 Chief Commercial Officer's Unit: The CCO's unit is mainly administrative unit which takes charge of the overall administrative functions of the commercial departments.[1]

4.3.4 Registration of Credit Customers: The first and most important area in which commercial department plays important role in granting credit facilities is credit customer registration. Here the registration is undertaken in accordance with the Company's policy of atttracting more customers in order to make profit through increase in sales of the services. In granting credit facilities, NITEL commercial department aims at achieving the following objectives.

(a) To establish a formal business agreement between the customer and the Company. The Company agrees to provide the customer with the requested services i.e. telephone, telex and telegraph, for which payment is deferred to some future agreed upon date. The customer on the other hand accepts to utilize the service and makes payment on agreed future date.

(b) Assist in providing and maintaining efficient and effective credit account system devoid of dubious or erroneous billing irregularities.

(c) Credit and maintain good customer - relationship by curtailing unnecessary conflict on matters relating to bills, telephone ownership or usage.

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1. Ibid - 1985; p. 6

(d) Determine credit time and credit period for various different type of credit customers i.e. Commercial, Industrial, Government and its Agencies

(e) Proper examination of all billing particulars as submitted by the customers before such particulars are forwarded to Management Information Services (MIS) and credit control section of Finance Department.

(f) Constant up-dating and up-grading of billing information as distated by changes in customers' addresses, movement of customers and recovery of customers' service numbers.

In addition to the initial registration of accounts customers, the Commercial Department also undertakes re-registration of customers. It is the policy of NITEL that credit re-registration is only allowed for a period of one calendar year after which a registered customer has to apply for re-registration. Re-registration provides an effective avenue for debt-recovery. The policy demands that customers requesting re-registration are registered only if their accounts are cleared of any outstanding bills. Therefore, customers who after initial registration for one calender year decide not to apply for registration provide the Commercial Department with necessary data to follow-up their accounts in order to determine whether or not their refusal to re-register is as a result of outstanding bills. Where is discovered that the customers are owing the Company, the information is immediately passed to Finance Department so that action can be initiated to effect recovery.

Re-registration helps also in amending or up-dating customers' account which for some reasons (such as delay in posting bill paid) there was ommission or delay in recording customer's previous payment. Sometime billing clerks tend to ignore vital information relating to account of credit customers and as a result the account may be recording debt whereas in actual fact the customer had long paid for the bills. This type of error can be easily normalized during the re-registration.

During re-registration new identities, codes and information are added to the previous data in the account of the credit customer. This method greatly minimizes fraud. It has been discovered that there was a lot of connivance between billing clerks, operators and customers through which certain vital information are either deleted or introduced into the accounts of some of these unscrupulous registered credit customers. This practice allowed unreliable and corrupt credit customers to secure the services of NITEL without paying for them. During re-registration such illegal arrangements are discovered and rectified.

Registration also provides the company with the opportunity to randomly sample customers' views and opinions about the company's services and also operators approach and behaviour towards customers while rendering service.

In order to achieve the above mentioned objectives, the Commercial Department centralized the customer registration system within its Headquarters. The obvious need for

the centralization of customer registration arises from the fact that the International Telephone Exchange (TSC) and Telex/ Telegraph facilities are all located within the commercial department which operates and sales Company services to the interested customers. This arrangement of centralization ensures effective control and proper supervision of services rendered to the customers.

Functionally the arrangement is made necessary because of the location of Finance Department, which is charged with the responsibilities for keeping and maintaining credit customers' accounts, billing system and collection of revenue.

4.4 Finance Department - Functional Contributions and its Role in Granting Credit Facilities and Receivables Collection.

An important department; Finance Department handles all financial transactions whether on cash or credit basis. It is charged with handling all matters relating to current expenditures of the Kaduna North West Zone of NITEL. Financial matters that affect staff of the Zonal office and branch offices are also directly handled by the Department. Specially, the department is divided into three main sections each charged with different responsibility. The sections are:

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(a) Expenditure Control Section

(b) Billing and Credit Control Section

(c) Reconsiliation Section

4.4.1 Expenditure Control Section: This section is responsible for controlling all expenditures on budget; both capital and recurrent. It is to ensure that budget allocations for various departments are not exceeded. It is also charged with the responsibility of making funds available for capital expenditure and working capital (cash) requirements.

4.4.2 Reconciliation Section: It is directly incharge of reconciling all cash receipts and cheque payments with Banks for all locations within the North West Zone of NITEL. It also reconciles total sales as reported by Operations Department.

4.4.3 Billing and Credit Control Section: The Billing and Credit Control Section has the responsibility of writing out bills for the customers and sending these bills at the right time to the accounts customers. It is the duty of the Control Section to monitor payment of all receivables. It has therefore the responsibility of taking measures against the degaulting account customers.

The modus operandi for receivables collection are as follows:

Based on the recording of both Techbical Operations and Operations Departments, bills relating to various customers for the day's operations are passed over to Finance Department. When these bills are passed, the Finance Department charges them against the account customers' accounts.

-- The credit policy has been restricted to be 30 days therefore, after 30 days when any customer makes payments his account is credited to the tune of the amount he paid.

-- All accounts not settled within a period of 30 days are considered in default and lists of such customers are made at the end of each 30 days and sent to Technical Operations for immediate barring.

-- At the end of each day settlements on suspense accounts (Barned Accounts) by each credit customer are checked and another list is drawn on such accounts and sent to the Technical Operations for re-instatement of service.

-- It should be noted that the 30 days credit terms stipulated are based with effect from the date of receipt of bills.

4.5 Public Relations Department - Functional Contributions and its Roles in Granting Credit Facilities and Receivables Collection

This is yet another important department that has a role to play in all organizations that deal with customers who request for services for credit payment. It is important esoecially in organizations that find themselves in competitive industries.

Public relations has emerged as a crucial aspect of the business world over and therefore in discussing the primary mission of Public Department with particular reference to dealing with customers, it will not be out of place to emphasize that

services and particular attention must be given to the feelings, needs and desires of the customers. Customers should not be seen in isolation from the company they patronize for their wants and desires. "Therefore for the Company to achieve its goals there must be understanding between itself and its customers. This understanding is only made possible through public relations department".[1]

The above observations assume greater importance because presently customers are over conscious of their rights; priviledges and they are either satisfied according to their expectations or the Company gets scolded. However, with the case of NITEL which has a monopoly of External Telecommunications business in Nigeria, customers do not have options for the services and for that reasons they take consolation in greater and aggressive condemnation and pouring of insults whenever they are not offered explanations for poor services rendered or no services at all. All of us are living witnesses to such outright but justified condemnations. Hence to avoid future condemnation a verile public relations department capable of liaison with customers is a necessity. This will create the necessary understanding required among the various public with whom the organization maintains business relations.

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1. Akins J. - Business Times; Paper delivered at the IATA/AFRAA Seminal for Public Relations Specialists in Developing Nations Airlines - Nairobi Kenya 21 - 23 November, 1984.

It is on record in NITEL that fictitious and inflated bills are often being sent to customers, who because there is no avenue for them to properly get the necessary information to cross-check their bills with, get infuriated consequently denied the bills and threatened court action. It is the duty of the Public Relations Department to determine through liaison with Commercial Department, Financial Department and Technical Operations Department, the reasons behind such unauthenticated bills and explain to the customers. But because NITEL Public Relations Department has not yet functionally been involved into this type of exercise a lot of demage has been done to the image of NITEL vis-a-vis bills preparations and receivables collection. In fact of recent some credit customers took NITEL to court over fictitious bills and the court rightly vindicated the customers. Assuming the Public Relations Department has been directly involved, such a situation would hardly occur.

It is therefore necessary to involve Public Relations Department in receivables collections. After all, attitudinal research and analysis of customers to determine the behaviours of customers and appreciate their needs is an ingredient of effective customer relationship. Hence the need for adequate and effective liaison between the Operations, Finance and Public Relations Departments who come into actual contact with the customers. This will provide the customer with enough information on one hand and NITEL on the other.

CHAPTER V

RECEIVABLES COLLECTIONS

5.1 Credit Facilities and Receivable Collection Procedure

Having seen the functional contributions and roles of each of the three departments in granting credit facilities and receivable collection, it is necessary to examine the merit or demerit of the policies and procedures in granting credit facilities and receivable collection. The starting point actually is to determine whether by any standard the practice of granting credit facilities and receivables collection is performed through any method or procedure or whether it is guided by any policy.

So far from what has been stated as far as granting credit facilities and receivables collection is concerned, it could be readily concluded that right from the initial stages there are obvious lapses and shortcomings. Infact according to method or technique employed all that is required by operations department (information-wise) to grant credit facilities are names of customers, type of services required, customers status, customer's residential address and credit period required (see attached International Telephone, Telex/Telegraph registration Forms as Annex 'A' & 'B')

Therefore the method of granting credit facilities presently being used in NITEL Ltd., is very crude because necessary procedures are not followed to obtain information about customer's purpose for seeking credit facility, customer's credit worthiness and social standing. The method therefore, proves ineffective baseless and improper. This led to my first assumption that NITEL Ltd. Kaduna Zone, has not implemented practically and effectively receivanles collection policy. Table 5.1 below indicates the present method followed in NITEL Ltd. for receivable collection.

TABLE 5.1 PROCEDURE FOR RECEIVABLES COLLECTION

	Steps Followed	Total No. of Questions	Responses	%
A.	Customers Report Personally to Settle Bills	50	19	28.00%
B.	Through Personal Calls by NITEL Staff	50	1	2.00%
C.	Direct Customers to pay to the Nearest Accredited Bank(s)	50	-	-
D.	Appointed Debt Collectors	50	-	-
E.	All the Above	50	-	-
	Total	50	20	40.00%

Source: Information obtained from the questionnaires circulated among the staff of NITEL in Finance and Customer Operations Department.

The above Table 5.1 clearly indicate that receivable collection is not operated or guided by any policy. It is apparently clear that Customers are at liberty to settle their bills. As aresult huge amount of money is being held up as debt by Credit Customers.

It is obvious that inspite of annual checking by way of re-registration a lot af room has been created for customers not to bother to pay for services rendered to them. Once a customer becomes aware that he is at liberty to settle his debt he develops a tendency to be nonchallant towards settlement of his bills. He may decide to settle the bills at his own time regardless of credit period he sow to honour. Apparently therefore failure to implement effective receivables collection policy leads to among other things and more important for that matter large amount of debt owed by credit customers.

"It is on record that for the year 1984 on average each month, a credit worth ₦350,000.00 was granted to credit customers totalling to ₦4,675,344.00 for the year 1984." [1]

But funny enough out of this huge bills, receivables "as at 31st December 1985, a total of ₦2,516,068.47 remain outstanding out of this amount only a sum of ₦1,457.00 was recovered as bills receivables as at 31st March, 1985".[2] The information above clearly supports my second assumption that the impact of NITEL Ltd. Kaduna Zone, receivables collection drive has not been felt by its subscribers in so far that there are many subscribers who are indebted to NITEL Ltd. Kaduna.

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1. NITEL Ltd., Kaduna monthly billing summary for the year 1984. Debt Outstanding Report, January - March, 1985.
2. Ibid, January - March, 1985.

Table 5.2 relating to sales return for the year 1984 shows the amount of cash sales and credit sales. For credit sales collection is very poor in all Territories and Zonal Headquarters. This has its genesis right from the very moment NITEL Ltd. started granting credit facilities.

Table 5.2 Telephone Sales Return for the Year 1984, January - December, 1984

STATE	CASH	CREDIT	TOTAL SALES
Kaduna	₦992,004.50	₦2,711,424.50	₦3,703,429.00
Kano	773,853.00	945,108.50	1,718,961.50
Sokoto	105,185.50	33,715.00	138,900.00
Bauchi	172,584.50	45,476.50	218,061.00
Niger	3,199.50	17,884.40	21,084.00
Abuja	186,423.50	309,751.00	496,174.50
Plateau	296,346.50	393,233.50	689,580.00
Benue	38,228.00	11,099.00	49,827.00
Borno	-	123,744.00	132,744.00
Gongola	-	615.00	615.00
Kwara	35,337.00	15,484.50	50,821.50
Others	41,292.00	10,911.00	53,203.00
TOTAL	₦2,644,454.00	₦4,627.00	₦7,271,901.00

Source: Bashir Ahmed El-Rufai; Commercial Operations and Performance Analysis for the year 1984, Kaduna District Administration. P. 10

Unfortunately, the system since introduction has no guiding principles. Right from the very beginning, regsitration of credit customers was made the responsibility of Operations Department. There was no policy guideline given to Operations Department and the Department for sometimes never bothered to develop any for itself.

The information about the purpose for request of credit facilities, capcity, customer's status, customer credibility, etc, were not asked for from the interested prospective credit customers. Granting credit facilities especially in Lagos at the initial stages was free for all. Whoseever wanted registration would be given on demand.

Infact, in the past and especially in Lagos, customers just dialed 171 at Marina to demand registration as credit customers. The subscriber on duty who was never given any guideline on registration of customers would quickly record the telephone number of the caller and register him as credit customer. All that was required was the caller's telephone number! This was the beginning of the accummulation of debts owed to NITEL Ltd. The whole idea was simply expressed this way. If NITEL Ltd. were kind enough to offer its services on demand to any body without verifying who that person was (based on some important factors, such as individual characteristics, ability to pay and status) then why should any customer bother to pay his bill? Hence the huge amount of 'unbillables' because subscribers without valid addresses and documents were regsitered as credit customers and services extended to them freely.

It was only later around 1979/80 that restrictions were imposed on registration. This came about when it was discovered that there was huge amount of debt to be recovered but without proper or authentic addresses of the credit customers. This brought about the introduction of registration of customers by Operations Department.

The only new idea introduced was that the customer or his representative has to be present to supply information on issues such as name of customer, type of service required, telephone number, customer status, residential address and credit limit required. These are the newly introduced ideas (measures) in addition to re-registration during which defaulting customers are supposed to be checked.

Obviously, anybody who is conversant with the bank procedure of granting credit facilities would not pass NITEL Ltd. credit policy and procedure for more than ten percent score out of one hundred percent. As mentioned earlier the process of granting credit facility is not an easy exercise because it involves such variables as the purpose for requesting credit facilities, maturity period, security involved (collateral), status of the applicant (nature and volume of business), individual or organizational characteristics, credibility and ability to utilize the facilities provided. As far as NITEL Ltd., Kaduna Zone is concerned issues of this nature are accorded secondary position. All that is important is to render services to customers on credit and accumulate bills receivables. Paradoxically, profit making organization operate at variance with this motion. Therefore, it is absolutely necessary

that persons or organization interested in having credit facilities must be proned to establish their credit wortheness, to prove their capability to utilize the facilities granting to them. In order to do that there is need for systematic and careful evaluation of all would be customers.

Credit period method whereby the credit customers are allowed a period of thirty (30) days to settle their bills has been rendered ineffective and hopeless because of lack of guiding principles and control.

The system through which credit facilities are granted on the basis of amount accumulated proved in operational because information processing is done once a month. Since daily processing is difficult, it is therefore not possible to use amount limit as a method of granting credit facilities. Collection procedure was crude in that it was only during re-registration that Operations Department became in a position to check whether the amount for the previous services rendered had been settled. Throughout the period of one year duration, the Operations Department continued to provide services even to the defaulting subscribers. There was no regular checks to know whether the customer was existing or not.

In fact, it is the Finance Department who earlier on used to scrutinize the customer's bills. The list of the defaulting customers were then sent to Operations Department where the files of such customers were kept. These lists with the particulars

of defaulting customers were then supplied to the Operators on the machines so that at any time a defaulting customer demand for service the operator was directed to inform him that unless he settles his outstanding bills no service of any kind could be granted to him. This approach did not help much and worse still, it encouraged fraudulent practices among the Operators. This point is in conformity with my third hypothesis that the receivanles collection policy has aided and abetted fraudulent practices involving staff of technical operations and Commercial Department. Smart subscribers easily exploited the Operators' weaknesses by offering gratifications in substantial amount to get services.

This short-coming forced NITEL Ltd. Kaduna to come out with a different method of receivables collection. This method is based on the data received from Technical Operations and Commercial Department in respect of business transactions concerning credit customers. Based on this information, Finance Department charged the account of the Credit Customers and at the end of thirty (30) days credit period bills are processed and passed to customers for payment. All accounts not settled within a period of thirty (30) days are considered in default. Lists of defaulting customers are prepared and passed to Technical Operators for immediate baring i.e. seizure of lines. At the end of each day, settlements on suspense accounts by each affected credit customers are checked and another list is drawn on such accounts and sent to the Technical Operations for re-instatement of service.

Quite often some credit customers refused to pay for service rendered despite the barring of their telephones. This is because they realised that they could go to any public counter to make call and pay cash immediately. Therefore, NITEL Ltd. Kaduna came with a policy of recovering debt owed by these type of customers. For this type of customers, arrangement is made to pay a personal visit to them in order to find out why they failed to settle their accounts. During such visits, some of these credit customers explained why they failed to honour their credit account and gave promises as to when they would pay. In order to encourage them to meet their obligations these customers would have their lines restored, reason being that it is better to restore their accounts rather than block them and loose both their patronage and outstanding bills. However, they will continue to be reminded of this obligation. This is usually done by phone.

Where it is discovered that customers could not pay at all, at the required time, negotiations are still carried on and agreement is reached that they should be paying certain amount instalmentally. These types of customers will also have their lines restored but for a limited amount and time not exceeding a period of six months.

Even with this newly introduced receivables collection policy, one cannot but observe a double standard. Double standards are normally the by-products of poor policy formulation and implementation. In the first place one would like to ask why deviating from the accepted principle that 30 days credit

limit must be honoured by the credit customers? Why does NITEL Ltd. bother to take the trouble of paying personal visit when despite baring the customer, he refused to show any response?

The obvious fact is that NITEL Ltd. Kaduna Zone, never bothered to evaluate its prospective customers to know who can pay and who cannot pay; who is refutable and who is not; who among the prospective customers are genuinely interested in credit facilities?

As long as NITEL Ltd. continue on its present policy, so long it will operate a mediocre and loss operated system of granting credit facilities and receivable collection. The result is perpetual accumulation of colossal amounts of money tied to individual credit customers.

5.2 CREDIT PERIOD SYSTEM AS A NEW METHOD FOR EFFECTIVE RECEIVABLES COLLECTION

5.2.1 Strategies

Credit period system which was earlier on used in collaboration with credit term based on volume of Naira was discovered to be ineffective and unproductive method not actually because it was a bad method. Rather it was rendered ineffective because it has no guiding principle or policy. Therefore, in this study the credit period is suggested as a method for granting credit facilities and receivables collection.

However, credit period as a method for granting credit facilities and receivables collection per-se is not the answer. For the credit period method to be effective, efficient and fruitful it has to be backed up by strong strategies and policies. Therefore, the following strategies and policies are mapped out for new effective, efficient and fruitful receivables collection methods.

(a) Establishing Bills Collection Centres: As was noted earlier the delay in delivery of bills dispatched through postal services resulted in serious problems in the ability of NITEL Ltd., North West Zone, to get its bills sent to various customers in good time. The consequence is the unnecessary delays in bills not paid in time. Associated with delay in sending bills to the customer is the delay in processing the customers' bills. Delay is caused because the Finance Department process customers' bills manually. Due to large colume of business bills processed manually, unavoidably take longer time to produce. Agreeably in the past this could constitute a problem. But since the newly formed NITEL created its own computer system, bills processing should be computerized to eliminate delays.

The question of creating bills collection centre in itself will not really eliminate the problem, because most of the customers were registered with wrong postal addresses and in certain areas the addresses are non-existent. Therefore, as a corol-lary to creating Bills Collection Centres, the Operations Department of Customer Operations in conjunction with the Finance Department must determine the authenticity of all customers' addresses. Efforts should be made to eliminate ghost credit customers.

(b) Personal Delivery of Bills to Customer's Addresses: This is very important because it has the advantage of confirming that the bills are delivered in time and at the right address. This method would be easily operated through the use of Dispatch Riders and Delivery Vans. At the initial stages this would involve huge expenditures in terms of machines and vehicles purchases, but in the long-run the advantages will certainly outweigh the expenditures incurred.

(c) Payment of Bills to be made direct to NITEL Ltd. Offices: Where it is not possible or feasible in terms of cost and proximity to collections centres, NITEL Ltd. Offices nearest to the credit customers should be authorized to receive payments and issue receipts for bills from the credit customers. The use of retainers as debt collectors should be stopped.

(d) Establishing Coin Boxes in Strategic Locations all over the Zonal Areas: As pointed out, one of the reasons for establishing credit facilities is to ease the problems of distant customers who could not have communications facilities located within their reach. Therefore, in order to avoid unnecessary granting of credit facilities with its attendant problems of accumulating debt, it is advisable that coin boxes are established and properly maintained to provide services on cash basis all over the Zonal geographical locations. This is without prejudice to proper marketable utilization of available capacity.

5.2.2 Policies

Policies to be adopted and strictly adhered to should include the following:

(a) Credit period term for granting credit facilities should be based on the categorization of customers. This categorization should be derived from the market where services are being sold. Market here is defined as a "group of buyers with significant buying potentials and unfulfilled needs and desires who have the means to purchase and whom the Company can profitably serve".[1] In this case the market for telecommunications services in North-West Zone, Kaduna includes:

(i) members of public contacting business associates, friends and relatives outside the country. For this category of customers a stipulated period of 7 days should be granted for credit facilities;

(ii) businesses with large turnover who make international calls in the course of their operations. They could be large, medium or small ventures. 14 days credit term should be granted; and

(iii) government organizations in the course of official transactions. They should be granted 21 days credit term.

(b) Bills processing should be decentralized and all territories should prepare their bills for the credit customers.

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1. El-Rufai B.A. (1985) Business Plan for the period 1 July - 31 Dec. 1985. Plateau Territorial Administration; Nigerian Telecommunications Limited, Jos, Nigeria.

(c) All necessary requirements for billing to be provided. In addition to that, there must be regular metre reading at customers' premises and processing of master type each day. This will enable the bills to be ready in a period of not more than 2 weeks from the date of reading. The bills should be delivered to customers before the 20 of the following month.

(d) Effective registration of credit customer through proper application of credit policy variables.

In order to adopt a proper receivable collection procedure the obvious lapses and short-comings inherent in the present system of granting credit facilities must be removed. It is obvious that inspite of annual checking by way of re-registration a lot of room has been created for credit customers not to bother to pay for services rendered to them. Therefore, in order to ensure proper and prompt payment of bills by credit customers, it is necessary to secure (obtain) information about the purpose for request for credit facilities, customer status, customer credibility, etc. This can only be done through proper application of credit policy variables. This variables include the following:

- Credit Terms: These are factors that indicate the operations of credit facilities. Most important among them is the length of credit period. In this case, it is recommended that 7, 14 and 21 days for individual, business and government agencies respectively.

- Credit Limit: This deals with time limit stipulated above. Under no circumstances should any credit customer be allowed to exceed the time limit.

- Credit Standard: This relates to personal characteristics of the customer, his ability to pay. These credit standards should not in any way be relaxed, because where credit standards are relaxed receivables collection will prove difficult.

- Collection Procedure: This should be strictly adhered to and in case of non-compliance the services rendered should automatically stopped and the NITEL Ltd. equipment in form of telephone boxes, telex machines be recovered immediately and the amount in default be referred to legal authority for court action.

5.3 Minimization of Fraud Practices Through Proper Application of New Receivables Collection Policy

Most cases of fraud involving receivables centres around International Exchange Operators who deal directly with Credit Customers and also the Exchange Technicians who operate the machines that effect and record all informations relating to International calls. As a result of this relationship some credit customers especially business organizations and private individuals develop the habit of sending in gifts in form of cash or attractive valuable items to the Operators. This approach influences the Operators to give these unscrupulous customer preferrential treatment including distorting official

records related to effected calls which are 'billables'. The Operators in collaboration with the Technicians in the exchange room manipulate the machines such that no records of effected calls will be shown.

Another area of fraud which involves international Operators is through feeding wrong and distorted information to the Finance Department when dishing out information about their favourite customers. These Operators distort information about effected calls by giving wrong charges or no charges at all. Sometimes they transfer charges belonging to their faviourite customers to some innocent customers who never made calls at all. This usually brings about disagreement between the customers and the Finance Department whenever bills are sent out for payment.

These fraudulent practices have reached serious magnitude to the extent that NITEL Ltd. is losing revenue of thousand of Naira every day. Worse of all some affected credit customers dragged the Company to Court over these issues.

5.3.1 Measure to Curtail Fraudulent Practices

Since it has been established that fraudulent practices are aided and abetted by unscrupulous credit customers, it is necessary, therefore, to examine the registration policy for credit customers by NITEL Ltd. As pointed out earlier the present method of registration of credit customers leave much to be desire. Hence it is important that in adopting new method

of credit policy proper attention be given to personal characteristics and the capital of the would-be credit customers. "Character refers to the probability that a customer will try to honour his obligations. This factor is of considerable importance because every credit transaction implies a promise to Pay".[1] Therefore, from the above it can be inferred that credit customers whose characters are questionable are likely to engage in the kind of malpractices mentioned above. A customer who is credit worthy is assumed to be capable of honouring, his debts when they are due for payments.

Capital is measured by the general financial position of the firm or an individual customer. A firm or customer with bankrupcy is likely to deviate from his promise to settle his bills. Conclusively, therefore, the credit department which is to handle credit policy if created should apply all the necessary procedures to establish the credit worthiness of the would-be credit customers.

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1. Weston J.F. and Brigham E.F. (1978). Managerial Finance The Dryden Press, New York; pp. 137 - 140.

Table 5.3 below shows factors for consideration before credit facilities are granted.

Table 5.3: Procedure for Granting Credit Facilities to Credit Customers

Factor for Consideration	Total Number of Questions	Response	Percentage
A. Volume and Quality of Business	50	1	2.0%
B. Character	50	-	-
C. Financial Strngth	50	4	8.0%
D. Capability to Settle Bills on Maturity	50	16	32.0%
E. All the above	50	-	-

Source: Information obtained from questionnaire circulated among staff of NIPI Ltd. in Finance Department.

Table 5.3 above shows the responses from the normal conventional procedures followed before granting credit facilities to credit customers. It is clearly seen that consideration to all the five questions indicate that the procedures have not been followed at all.

There is near total absence of consideration for volume and quality of business, character and financial strength before granting credit facilities. Only capability to settle bills on maturity has up to 32 percent response.

Another measure aimed at minimizing fraud through proper application of credit policy is by establishing credit control office separate from Finance Department and headed by Credit Control Manager. The Manager will be charged with responsibility of gathering credit information and translating the information into risk classes, grouped according to the probability of loss associated with sales to customers. Here the Manager can make use of statistical technique such as regression analysis and discriminant analysis to judge customers credit worthiness. These methods are known to work well especially in a situation where individual credits are relatively small and a large number of credit customers are involved.

Credit control office under Credit Manager will also have an added advantage of providing effective supervision and control of machines to prevent them from being unnecessary manipulated.

5.4 Guidelines and Necessary Information for Credit Customers to Assist them in prompt Settlement of Credit Bills.

As part of evolving effective Receivable Collection policy relevant guidelines and necessary information to assist Credit Customers in settling their bills must be made available to them.

It is agreed that some customers occasionally happen to find it difficult to settle their bills not because they don't want but rather the process appear somewhat complicated to them. Therefore, as earlier indicated, it is the duty of the Finance, Operations and Public Relations Departments to create comprehensive and effective system to promote Credit Customers' awareness in settling their bills. It is therefore suggested that the following steps be taken to advise Credit Customers about bills.

(i) The customer(s) should be advised to keep records of their indebtedness always bearing in mind the credit period extended to them. This will enable them to be aware of the amount they are owing and the date the extended period expires;

(ii) Customer(s) should be encouraged to always come forward to enquire about their bills where bills are not delivered in time. This will limit any carry over to the bills. Customers can ring or personally check the Credit Control Office;

(iii) Customers should be made to understand that payments are only made to authorize NITEL pay points. They should also insist on getting receipt for any payment made;

(iv) Customers should be made to understand that whenever they are in doubt about any bills or anything connected with bill, they are free to contact Recovery Unit of Credit Section;

(v) Customers should be made to understand that bills are normally prepared on twentieth of coming month and copies are available on request.

(vi) Penalties for non-payment of Credit bills should be properly and clearly spelt out and Credit Customers duly informed.

It is also recommended that the Public Relations Department in conjunction with Debt Recovery Unit and Customer Complaint Secion of Operations Department be jointly responsible for bringing these guidlines and necessary information to the Credit Customers.

CHAPTER VI

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Attempts have been made to introduce the reader to general understanding of what NITEL Ltd. is and the services it renders to the Nigerian public.

Like any other business venture, NITEL Ltd. provides its services both on cash and credit basis. It is on the area of credit sales that the Study was conducted aimed soley to determine what factors contribute to ineffective administration of granting credit facilities and Receivables Collection. No doubt many problems contributed in rendering Receivables Collection policy inoperative. However, specially speaking as has been revealed in the Study, it is simply because NITEL Ltd. has not as a matter of fact established any meaningful procedure for granting credit facilities and Receivables Collection. The consequence of which NITEL Ltd. North-West Zone alone accumulates millions of Naira in form of Receivables pending collection which from all indications are not likely to be collected.

Conclusions

From the facts gathered in the study it can be easily concluded that Nigerian Telecommunications Limited, North-West Zone, Kaduna has:

(i) not implemented practically and effectively Receivables Collection Policy. So far from what has been gathered during the course of the study as far as granting Credit Facilities and Receivables Collection is concerned, right from the initial stages there are obvious lapses and short-comings. The method practiced presently turns out to be crude because necessary procedures are not followed to obtain information about customers' purpose for obtaining credit facilities, customers' credit worthiness and character;

(ii) failed to make the impact of its Receivables Collection derive felt by its Credit Customers in so far as there are many Credit Customers indebted to NITEL Ltd., North West Zone, Kaduna. It is on record that during the year 1984, an average of credit worth ₦400,000 was granted monthly totalling to ₦5,000,000 but during the same year (1984) only half the amount was collected;

(iii) operated Receivables Collection policy that has aided and abetted fraudulent practices involving staff of Operation Department and Credit Customers. Because it is only during re-registration of Customers that Operations Department is in a position to check whether the amount for the previous services has been settled. Smart but fraudulent Credit Customers connived with the Operators to distort their records thus rendering collections impossible. These Credit Customers exploited the Operators weaknesses through offering gratifications to get services;

(iv) engaged the services of some Operators who by the way and manner they handle subscribers' calls and subsequently pass information for billing contribute to non-payment of credit bills by subscribers. Due to operational system dictated by the nature of machines used in NITEL Ltd., Operators in the International Exchange deal directly with Credit Customers. These Operators connect calls and record all transactions. As a result of this relationship, some unscrupulous credit customers (especially business organization) develop the habit of sending in gifts in form of cash or valuable items to these Operators. The consequence of this action resulted in NITEL Operators giving preferential treatment to these type of Credit Customers. Sometimes, the Operators even take it upon themselves to distort all records relating to these customers making it impossible to bill them.

Recommendations

(1) It is recommended that NITEL Ltd. should adopt practical & productive guidelines in granting credit facilities and Receivables Collection. The practice which calls for the supply of mere information, such as Customer's address, type of services required, etc. should be discarded henceforth. Rather, detailed analysis of information about customer's purpose for seeking credit facilities, credit worthiness, character and capacity should be applied.

(2) Receivable Collection devices also need to be intensified. From the study, it has been observed that large amount of money in form of credit sales have been tied up to the Credit Customers. This is as a result of poor collection policy where customers are at liberty to settle their debts. It is therefore recommended that bills collection centres, personal bills delivery unit and Credit Collection Task Force be established. This arrangement will not only help to recover the outstanding bills but will also ensure that credit payments are made on schedule.

(3) Constant monitoring of credit customers' accounts on daily basis: As has been pointed out earlier, checking of Credit Customers' accounts was only done during re-registration. Thus a lot of rooms were created for Credit Customers not to bother to pay for services rendered to them. Therefore, in order to ensure prompt settlement of bills by Credit Customers, it is suggested that Customer Services Unit should continuously monitor the accounts of Credit Customers to determine which customers default and immediate action be taken against them.

(4) Appointment of Operators to man the Exchanges: Since it has been established that some Operators engaged in exchanges tend to develop corrupt tendencies, it is hereby recommended that the exchange Operators should not, under any circumstances, be allowed to spend more than a month in the exchanges. After a period of one month, they should be deployed to another section of Operations Department.

As for the Credit Customers who take pleasure in corrupting the Operators, once caught they should be declared 'personna non grata' and their names be deleted from Credit Register.

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Annex 'A'

NIGERIAN TELECOMMUNICATIONS LIMITED (EXTERNAL)
NORTH WEST ZONE
K A D U N A

OVERSEAS TELEX DELIVERY SERVICES (TDS) REGISTRATION FORM

NAME OF CUSTOMER: _____

POSTAL ADDRESS: _____

RESIDENTIAL ADDRESS: _____

REGISTERED FEE: _____ DATE: _____ 19 _____

We undertake to collect our messages in your office at any time of the day from Monday to Sunday. Also we agree that this registration is RENEWABLE with ₦200.00 after every (12) twelve calendar months.

_____ DATE: _____ 19 _____

CUSTOMER SIGN/STAMP

C O R R E S P O N D E N C E

Please advise your overseas correspondents to dial 20711 For access in our Telex Exchange
Our Answer Back is (KAD TDS NG)

You have the privilege to quote this number 20711 on all your stationaries.

Thank you for patronage.

For any assistance or complaint please contact.

CUSTOMER SERVICES
NITEL (EXTERNAL)
P.O. BOX 3955
LAFIYA ROAD
KADUNA.

TEL: 201250 - EXT. 183.

NIGERIAN TELECOMMUNICATIONS LIMITED
NORTH WEST ZONE
K A D U N A

Annex 'B'

INTERNATIONAL TELEPHONE REGISTERATION

NAME OF CUSTOMER: _____

TYPE OF SERVICE: _____

CUSTOMER STATUS: _____ SERVICE CODE: _____

TELEPHONE NUMBER(S): _____

CUSTOMER'S RESIDENTIAL ADDRESS: _____

_____

CUSTOMER'S POSTAL ADDRESS: _____

_____

SUBSCRIBERS CATIGORY: _____

CREDIT PERIOD: _____

ICI NUMBER: _____

I undertake to pay my bills regularly and promptly and shall notify NITEL (International) of any changes in respect of the information given at the time of this registration.

_____ _____

Signature/Office Stamp Date

Customer should dial 171 to our International Exchange, 175 for all enquiries, your Service Code is _____ and please quote this on demand.

Thank you for your patronage.

Please for any assistance and complaint contact:-

Customer Services
NIGERIAN TELECOMMUNICATIONS LIMITED
(INTERNATIONAL SERVICES
LAFIA ROAD
POST OFFICE BOX 3,55

TEL: 201250 - EXT. 183.

Annex 'C'

TABLE FOR LOCATION OF CONTINGENCY
PLAN EXCHANGES AND MOBILE EXCHANGES

Location	Exchange Capacity
Lagos 'D'	500 lines
Ikeja	7000 "
Ebute-metta	4000 "
I ponti	10,000 "
Apapa	10,000 "
Abeokuta	2,000 "
Aba	3,000 "
Ilara	500 "
Ijebu-Ode	5,000 "
Shasamu	1,000 "
Ado-Ikiti	1,000 "
Ogbomosho	500 "
Owo	1000 "
Okitipupa	500 "
Ondo	100 "
Lokoja	1000 "
Jos	4000 "
Onitsha	3000 "
Abakiliki	1000 "
Umuahia	1000 "
Calabar	3000 "
Benin 'B'	2000 "
Owerri	1000 "
Akure (mobile)	1000 "
Zaria (two mobiles)	1,800 "
Oyo	1000 "
Katsina	1000 "
Bida	500 "
Enugu	10,000 "
Ilorin	2,000 - 84,000 lines

Source: Richard Adeniyi, Evolution of 'phone services in Nigeria. Headlines 189 Vol. July 1985; p. 3.

Department of Business Administration,
Ahmadu Bello University,
Zaria.

30th May, 1985.

Dear Sir,

Evolving a new credit collection policy -
A Study of Nigerian External Telecommunication Ltd.

I am a Post-Graduate Student in the Department of Business Administration, Ahmadu Bello University, Zaria.

As part of the fulfilment of the M.B.A. degree, I am conducting a study on "Evolving a New Credit Collection Policy in Nigerian External Telecommunications Limited. It is hoped that the study will come out with new credit collection policy which is aimed at alleviating the suffering of NET Ltd Credit Customers in settling their bills and at the same time prevent further losses of revenue by NET Ltd.

I am therefore seeking your full cooperation in answering the attached questionaire and timely return to same at your earliest convinience.

I would like to assure you that the information given will be purely for academic purpose and will be treated with upermost secrecy.

Thank you.

Yours truly,

ALI HARUNA

QUESTIONAIRE ONE

Department of Business Administration
Ahmadu Bello University, Zaria

QUESTIONAIRE:

Please clearly indicate your answer by ticking in the appropriate box.

SECTION 'A'

1. How long does it take a customer before he is qualified to apply for credit facilities:-

   (a) Immediately ☐

   (b) A period of 6 months ☐

   (c) A year and above ☐

2. What factors are consiered before granting credit facilities:-

   (a) Volume and quality of Business ☐

   (b) Reputable social standing ☐

   (c) Financial strength ☐

   (d) Capability to settle credit bills on maturity ☐

3. Do you need any security to support the grant of credit facilities?

   (a) Yes ☐

   (b) No ☐

4. Do you socicit for credit customers?

   (a) Yes ☐

   (b) No ☐

SECTION 'B'

1. How do you arrive at your credit limit

   (a) At the request of the customers ☐

   (b) Arbirtonly ☐

   (c) Any other crateria ☐

2. How are credit bills and statements dispatch to your customers

   (a) By Post ☐

   (b) By Hand ☐

   (c) Personal calls ☐

3. What is the procedure for collecting bills receivables:

   (a) Customers come to settle their bills themselves ☐

   (b) Through personal calls ☐

   (c) Direct Customers to pay to the nearest accredited bank(s) ☐

4. At the end of credit period, how many days of grace do you allow defaulting customer(s) before action is taken

   (a) No date, could pay anytime thereafter ☐

   (b) Maximum of a week after which action is taken ☐

   (c) Action is taken immediate ☐

Question (Section 'B') Contd.

5. When is an outstanding bill considered as bad debt

   (a) After a year ☐

   (b) After five years ☐

   (c) Never ☐

6. Do you consider bill that stay long without settlement as non-recoverable?

   (a) Yes ☐

   (b) No ☐

7. What actions do you normally take to recover outstanding bills receivables

   (a) written treats ☐

   (b) publicize defaulters names in National dailies ☐

   (c) Institute court Action ☐

SECTION 'C'

In this Section you are required to comment briefly while answering the questions:-

1. The objective of collection procedure is aimed at speeding collections of receivables.
   Does your organization have clear cut guidelines and procedure for receivables collection?

   .....

   .....

Section 'C' (Contd.)

2. How proper and effective is the current method of collection?

.....

.....

3. Do Customers pay properly? If not what could be the reasons for delay?

.....

.....

4. How long does it take your organization to process customers bills for settlement, and at what date are the bills dispatched to the Customers?

.....

.....

.....

Department of Business Administration
Ahmadu Bello University, Zaria.

QUESTIONAIRE TWO

1. Nigerian External Telecommunications Limited provides you with Telephone Telex, Telegraph services. How effective are these services rendered.

   (a) Very effective ☐

   (b) Averagely effective ☐

   (c) ineffective ☐

2. If ineffective could that be as result of:

   (a) Unqualified staff ☐

   (b) Rude operators ☐

   (c) Poor equipment ☐

3. Do you observe any discriminating attitude from operators when rendering services?

   (a) Yes ☐

   (b) No ☐

   (c) Can't say ☐

4. Are you a Credit Customer?

   (a) Yes ☐

   (b) No ☐

Question (two) contd.

5. If yes, how did you get your telephone/telex facilities registered?

(a) I applied ☐

(b) Through the help of the staff at NET office ☐

6. Before Registeration were you asked to pay any deposit?

(a) Yes ☐

(b) No ☐

7. If you paid any deposit, how much did you pay

(a) Yes ☐

(b) No ☐

8. As a credit customer do you receive your bills regularly and correctly filled?

(a) Yes ☐

(b) No ☐

9. How regularly?

(a) A day after the bills mature ☐

(b) A month after the bills mature ☐

(c) Six months after the bills mature ☐