AN INVESTIGATION INTO THE EFFECTIVENESS AND ADEQUACY OF CREDIT RISK MANAGEMENT POLICIES EMPLOYED ON CREDIT FINANCE TO SMALL SCALE FARMERS FROM THE PERIOD 2010 TO 2012. A CASE STUDY OF THE COTTON COMPANY OF ZIMBABWE HEAD OFFICE. (2010-2012)

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ABSTRACT

The study set out to investigate and evaluate the adequacy of credit risk management tools by The Cotton Company of Zimbabwe (2010-12). Credit assessment and analysis and credit risk mitigation were looked at as well as various factors affecting the whole process of credit risk management. The study was based on twenty respondents from a population of Executives, business managers and lending officers at Cottco. General information was collected using the questionnaire. The main findings of the study were that the deficiencies in the credit risk management process within the company arising from failure to carry out credit assessment properly as well as flaws in the lending strategy. Collateral issues were found to be not involved in giving out credit inputs to growers resulting in bad debts when the growers are not recovered. Based on literature review and the results of the study, the researcher recommends that the company engage in taking collateral as the last line of defence to defaulters, practise customer due diligence properly, assess credit worthiness of growers, invest in information technology to curd credit risk among others.