

The effect of late payments on suppliers' financial  
performance: A case study of a government department's  
supply chain in the Eastern Cape.

By

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## AFFIRMATION

I hereby affirm that I am the sole author of the entire dissertation, which has been finished upon enrolling for the Master of Accounting (Management Accounting) degree at Durban University of Technology, and it has never been included before with the dissertation or thesis presented to this and any other university for the degree, diploma, or any other qualifications. I accept full responsibility for my actions, I have read and understood the university's current research ethics guidelines.

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... ..

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## DEDICATION

I honor my late father by conducting this research (Mcoseleli Madlavu), whom I believe would be exceptionally proud of my accomplishments and my little young lady Simingawo Madlavu. I believe she is exceptionally proud of her mom's achievements and my family.

## ACKNOWLEDGEMENTS

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## LIST OF ABBREVIATIONS

DEDEAT: Department of Economic Development, Environmental Affairs and Tourism

AO: Accounting Officer

BBBEE: Broad Base Black Economic Empowerment

PPPFA: Preference Procurement Policy Framework Act

SCM: Supply Chain Management

PFMA: Public Financial Management Act

PT: Provincial Treasury

NT: National Treasury

SACCI: South African Chamber of Commerce and Industry

DPME : Department of Planning, Monitoring and Evaluation

SMMEs: Small, Medium, and Micro Enterprises

NDP: National Development Plan

BEE: Black Economic Empowerment

GDP: Gross Domestic Product

TRs: Treasury Regulations

FM: Financial Management

SPPFMA: Special Procurement Policy Framework Act

SAICA: South African Institute of Chartered Accountants

WIL: Work-Integrated Learning

DSN: Digital Supply Networks

## TABLE OF CONTENTS

Affirmation.....	ii
Dedication.....	iii
Acknowledgements.....	iv
List of Abbreviations .....	v
Table of Contents.....	vii
List of Tables .....	xii
List of Figures.....	xiii
Abstract.....	xiv
CHAPTER ONE.....	1
Introduction.....	1
1.0 Introduction.....	1
1.1 Background to the Study.....	1
1.2 Problem Statement.....	3
1.3 Aims and Objectives.....	4
1.3.1 Aim.....	4
1.3.2 Objectives.....	4
1.4 Research Questions .....	4
1.5 Significance of the Study.....	5
1.6 Justification for the research .....	5
1.7 Structure of the research.....	5
1.8 Chapter Summary .....	5
CHAPTER TWO .....	7

Literature Review.....	7
2.0 Introduction.....	7
2.1 Conceptual Review.....	7
2.1.1 Payment of Supplier Invoices: Legislative Requirements.....	7
2.1.2 The Public Finance Management Act (PFMA) of South Africa, 1999.....	7
2.1.3 Reviewing related regulations to SCM.....	8
2.1.4 The Nature of Supply Chain Management.....	8
2.1.5 The components of Supply Chain Management.....	8
2.1.5.1 Demand Management.....	8
2.1.5.2 Acquisition Management .....	8
2.1.5.3 Logistics Management.....	9
2.1.5.4 Performance Management.....	9
2.1.6 The five columns of procurement are: .....	9
2.1.6.1 Fairness (moral and reasonable managing).....	10
2.1.6.2 Equity .....	10
2.1.6.3 Transparency (responsibility and detailing).....	11
2.1.6.4 Openness of the procurement process. ....	11
2.1.6.5 Elimination of prejudice and favoritism.....	11
2.1.7 SCM in South Africa Faces Difficulties.....	11
2.1.8 Procurement Process in Government Department.....	12
2.1.9 Procurement Decentralization.....	13
2.1.10 Tender Processes.....	14
2.1.10.1 Pre-tendering.....	15
2.1.10.2 The stage of tendering.....	15



2.1.10.3 After the tender, there is a step called the post-tender stage.....	16
2.1.11 The impact of Late Payment.....	16
2.1.12 Financial performance in supply chain .....	17
2.1.13 Instruction on the Payment of Suppliers.....	17
2.1.14 The State of Late Payment in South Africa.....	19
2.1.15 The Impact of COVID-19 Pandemic.....	21
2.1.16 Corruption and Fraud.....	23
2.2 Theoretical Review.....	24
2.2.1 Agency theory: .....	25
2.2.2 Systems theory: .....	25
2.3 Theoretical Framework.....	26
2.4 Summary of literature review and Identification of gap.....	26
2.5 Chapter Summary.....	26
CHAPTER THREE.....	27
Methodology.....	27
3.0 Introduction.....	27
3.1 Research Design.....	27
3.1.1 Questionnaires.....	27
3.2 Qualitative and Quantitative Research approach.....	28
3.2.1 Qualitative Research Approach .....	28
3.2.2 Quantitative Research Approach.....	28
3.3 Study Area.....	28
3.4 Population and Sampling Technique .....	29

3.4.1 The population of the Study .....	29
3.4.2 Sample Frame .....	29
3.4.3 Sample Size .....	29
3.4.4 Sampling Technique.....	31
3.5 Instrument for Data Collection.....	32
3.6 Reliability and validity.....	32
3.7 Ethical consideration.....	35
3.7.1 Informed Consent.....	35
3.7.2 Risk of Harm, Anonymity and Confidentiality.....	36
3.7.3 Conflict of Interest .....	36
3.8 Delimitation of the Research.....	36
3.9 Chapter Summary.....	36
CHAPTER FOUR .....	37
Data Analysis and Interpretation of Results .....	37
4.0 Introduction.....	37
4.1 Response Rate.....	37
4.2 Demographic Detail .....	37
4.2.1 Job Designation.....	38
4.2.2 Employment Experience.....	38
4.2.3 Age Group.....	39
4.2.4 Marital Status.....	39
4.2.5 Highest Level of Qualification.....	40
4.2.6 Firm Scale.....	40

4.2.7 Existence of Environmental Costs.....	41
4.2.8 Investments in Environmental Activities .....	42
4.2.9 Appropriate System used for Processing Payment.....	42
4.3 Descriptive analysis of survey respondent’s responses.....	43
4.4 Exploratory factor analysis.....	47
4.5 Analysis of the research objectives.....	47
4.5.1 Objective 1: To determine the factors influencing late payment	49
4.5.2 Objective 2: To determine the effect of late payment.....	50
4.5.3 Objective 3: To analyze the effect of outstanding payments o....	52
4.5.4 Objective four: To determine the relationship.....	53
4.6 Chapter Summary .....	55
CHAPTER FIVE .....	56
Summary, Recommendation and Conclusions.....	56
5.0 Introduction.....	56
5.1 Summary of the Research.....	57
5.2 Conclusion.....	58
5.3 Recommendations.....	59
5.4 Recommendation for future studies.....	59
REFERENCES.....	61

## LIST OF TABLES

Table 1: Significant obstructions preventing the successful implementation of SCM	12
Table 2: Global Late Payments Landscape.....	21
Table 3: Rand's number and value show for invoices.....	22
Table 4: Population and Sample .....	31
Table 4.1; Late payment .....	43
Table 4.2: Late payment to suppliers.....	46
Table 4.3 Exploratory factor analysis.....	48
Table 4.4: Summary statistics.....	50
Table 4.5 Correlation between late payment and supplier performance.....	51
Table 4. 6 Linear regressions.....	51
Table 4.7 Correlation between outstanding payments and financial performance	52
Table 4.8 Linear regression.....	53
Table 4.9 Correlation between outstanding payment and late payment .....	54
Table 4.10 Linear regression.....	54

## LIST OF FIGURES

Figure 1: outlines the various SCM components.....	10
Figure 2: Choosing how to distinguish depends on two variables.....	13
Figure 3: Payment Process.....	19
Figure 4: An estimation of the suppliers who have had invoices paid late.....	21
Figure 5: Presentation of corruption processes in the state's supply chain.....	24
Figure 6: Respondent's job description. ....	38
Figure 7: Employment experience.....	38
Figure 8: Age group.....	39
Figure 9: Marital status.....	39
Figure 10: Qualification.....	40
Figure 11: Firm scale.....	41
Figure 12: Environmental costs.....	41
Figure 13: Investment.....	43
Figure 15: Payment processing system.....	44

## ABSTRACT

Using a case study of the government department supply chain in the Eastern Cape, the proposed study examines the effects of late payments on suppliers' financial performance. It does this by giving foundation information, such as the nearness of the issue to be investigated, the goals for performing the research, the research objectives, and the questions to be replied to through the research and the research methodology. The research goes into detail, discussing the appropriate framework, the conceptual framework of SCM within the public sector in South Africa, noteworthiness and inspiration to research, and the research's confinements. It wraps up by laying out the research's system. The research used conceptual and theoretical reviews to understand the nature of the problem. Qualitative and quantitative approaches were used to determine how a late payment affects a supplier's financial performance. The data were analyzed using the latest SPSS software package. Convenience sampling was used. The population is 362 staff and the target sample consisted of 120 finance management and supply chain management department members and 70 chosen suppliers in the Eastern Cape Province. The study targeted a sample size of 190.

The findings show that SCM has been fully deployed in all government agencies and that the SCM approach has been used to develop technologies, but the lack of swift payment is hindering their effectiveness. The study concluded that redesigning and integrating departmental procurement and finance training courses across departments to ensure strong SCM principles are implemented should be enforced. Moreover, there should be proper monitoring and evaluation of all tendering contracts because it affects service delivery. A well monitored contract process will ensure that the service providers complete their contracts as and when due. Also, it was concluded that most concerns in facilitating invoices are delays in submitting invoices by suppliers and submitting incomplete banking details by suppliers. Likewise, it is concluded from the findings of the study that there were contradictions in the information provided by suppliers at other times. Thus, the study recommends innovative policies that will enhance swift payments through automated invoicing and painstaking monitoring of processes for the supply chain department.

Key Words: SCM, Suppliers, Financial Performance, Late Payment.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This research investigates the effect of late payments on suppliers' financial performance. It endeavours to establish the staff's understanding of Supply chain Management and finance. SMEs (Small and Medium Enterprises) are widely recognized as necessary for economic development and employment generation. Particularly, this is true in South Africa, where SMMEs account for 80% of all regular employment. Although some African Continent and national development plans allow this, malicious practices, especially government payment delays, often curb SMME growth and lead to business disruptions (Xero, 2020).

### 1.1 Background to the Study

South Africa established a supply chain management system in 2003. The obtaining procedure was given fundamental standing and has been utilized to correct unfair laws and exercises in the past. It supports arguably secondary goals to procurement's core goal (Kruger, 2012). By early 2003, the Government of the Republic of South Africa (RSA) had noted many concerns related to the past acquisition framework. These frameworks were mainly detailed to net abnormalities. The intricacies of these past acquisition models require responsibility and support structures, differences in form and conflicting arrangements (De Lange, 2011). According to Hasmori, Ismail, and Said (2012), service providers play a critical role in any country's developmental process. Payment effectiveness and promptness are essential to a company's success. However, most countries and industries are affected by the current issue. Services are provided for an extended period, as such a considerable sum of money is required, and the requirement for early payment from the service provider is increased—the real cause of this deterrent and the total lack of a suitable accounting system. As a result, the lack of financial control and mismanagement may form the basis of fraud and corruption. Small businesses play an essential role in the economy. It is guessed that about 91% of the substances publicly traded in South Africa are SMEs, accounting for about half of the GDP. One of the main factors that keep

SMEs out of business is delays in payments from the government sector (Solomon, Frese, Friedrich and Glaub: 2013).

According to the South African Chamber of Commerce and Industry (SACCI) claims that many small businesses have been negatively impacted by delayed government payments. About 60% of the small businesses studied experienced late payments resulting in cash flow and operational problems (Odendaal, 2012). Preventing and accounting for unanticipated delays along the supply chain. This is the most common problem in any supply chain, and it is also the most difficult to anticipate and prevent. The contemporary supply chain needs to be flexible as well. Customer-brand connections used to be rather basic and one-directional. This perspective is worried about purchasing, buying, or acquiring commodities and services. With the reception of the SCM system, an association, its clients, and its providers are united in chasing satisfying clients' orders. From an SCM point of view, associations do not work in storehouses; all things being equal, they are in an organization with providers and clients to accomplish a shared objective. Following (Wisner, Tan, and Leong 2012:4), the concept of customer-supplier relationships confirms the company's level of performance.

Five of the seven SMEs that started in South Africa were ignored earlier this year, but one in two is normal globally (Kgosana, 2013). One of the critical factors for SMEs to sell out their business is the delay in government installation (Solomons, 2013). According to the South African Chamber of Commerce and Industry (SACCI) overview, the delay in establishing a government has significantly impacted many SMEs. Approximately 60% of the SMEs surveyed experience liquidity and operational issues if delayed installments (Odendaal, 2012). Late payments cause cash flow problems, financial troubles, and unnecessary stress on suppliers (Van der Merwe, Buys and Vosloo, 2011).

## 1.2. Problem Statement

The problem of late payments in government offices can be a global problem. Each country in Africa has the title of its corporate sector to pay for 30 days within the supplier and interest for the rare case of more than 30 days. Basically, in South Africa, government workplaces have disregarded the fact that 30-day in-house payments to suppliers are financially offensive (RSA,



2000), and open experts have addressed the problem of dealing with late payments. In December 2011, Open Vault issued instructions to all open and general workplaces to make certain that large sales are reimbursed internally within 30 days. Late payments are a source of concern for South African suppliers, with 48 percent citing delayed bills and cash flow as their top concerns. The most incredible financial difficulty for half of the South African small business owners is not being paid on time, according to Xerox (2017). Late payments can put a company's finances in jeopardy. Furthermore, organizations waiting for payments will have a more challenging time processing and making decisions, and they risk passing on the problem of late payments to their suppliers if they are unable to pay suppliers on time Xerox (2020).

The Planning, Monitoring, and Evaluation (PME) Minister noted an increase in the number of payment delay patterns. In June 2018, the number of approved invoices paid over the following 30 days was 17668, worth R340 million. This is greater than in June 2017, when 13803 invoices worth R224 million were not paid the following 30 days. Nevertheless, the Minister also noted instances whereby a few divisions had the option to repay service providers within four days. There are various examples whereby the government institutions have appropriately paid the invoices. However, the principal contractual worker does not repay the sub-temporary workers' money due to sub-contractors until the principal has been paid (South Africa Department of Planning, Monitoring, and Evaluation (PME) (DPME) (2016). The late payments for goods and services, especially by the government, were putting many small businesses that wanted to grow in financial distress, danger, and prolonged hardship.

Since the introduction of Supply Chain Management (SCM) in South Africa in 2003, many governments have demonstrated plans to prepare professionals with appropriate capabilities and data (Ambe and Badenhorst-Weiss, 2012:10). However, the implementation of SCM remains a challenge. These challenges began with resistance to policies and guidelines, extortion and abuse, insufficient capacity, and few observations and evaluations (Ambe and Badenhorst-Weiss, 2012: 11). Small companies live or die by their cash flow. Affected businesses struggle to pay their suppliers and employees on time, hitting the economy. It also damages relationships, incurs late fees, and creates a knock-on effect that can unsettle Xerox's entire supply chain (2019).

## 1.3 Aims and Objectives

### 1.3.1 Aim

This study aims to critically investigate the challenges that affect suppliers' financial performance due to late payments and the factors causing late payment: A case study of government department supply chain in the Eastern Cape.

### 1.3.2 Objectives

The objectives of this research are:

- i. To determine the factors influencing late payment to suppliers in the Eastern Cape Province.
- ii. To analyze the effect of outstanding payments on suppliers' financial performance in the Eastern Cape.
- iii. To reveal the findings of the late payment from suppliers in the Eastern Cape.

## 1.4 Research Questions

- i. What are the factors influencing late payments to suppliers in the Eastern Cape?
- ii. What is the effect of outstanding payments on suppliers' financial performance in the Eastern Cape?
- iii. How do suppliers respond to late payment in the Eastern Cape?

## 1.5 Significance of the study

Service providers in South Africa may contribute to and employ the country's GDP. Service providers can: assist the state in achieving its job-creation goals (economic growth); address the concerns raised in the National Development Plan (NDP), which establishes a majority rule order (Each citizen has the unrestricted right to pursue any exchange, occupation, or call they so desire, as stated in the structure's Bill of Rights, 1996 (poverty, unemployment, and imbalance). The East Cape Government Supply Chain Case Study discusses the impact of late payments on a supplier's financial performance.

## 1.6 Justification for the research

A rationale explains how the investigator became concerned about the subject and why he or she believes the study is worthwhile (Gravetter and Forzano, 2009:35). Using the Eastern Cape government's supply chain as a case study, this study investigated the core causes of late payments to suppliers' financial performance. The study discovered that some departments are dealing with the problem of late payment of invoices, while others attempt to follow the rules of paying invoices within 30 days of receipt.

## 1.7 Structure of the Research

This thesis is structured into five chapters as stated below.

**The first chapter** includes a problem statement, study objectives, research introduction, design, and methods.

**The second chapter** includes a review of the literature relevant to the theoretical underpinnings of this research on late payments to suppliers. The conceptual and theoretical framework of the study is established through the literature review.

**The third chapter** describes the research methodology. The information gathered during the research process is described in the third chapter. The procedures for collecting and processing data are described. The validity of the methodology is discussed, along with sample selection, questionnaire design, data collection procedures, data processing, analysis, and evaluation.

**The fourth chapter** analyses the data gathered from DEDEAT financial and supply chain management staff and replies from 70 service providers.

**The fifth chapter** discusses the conclusion of the literature analysis, advice on late payment to suppliers, and makes recommendations for future research.

## 1.8 Chapter Summary

The study's context was presented in this chapter. The study's purpose and objectives, research questions, and ethical implications have also been covered in this chapter. In addition, the data processes are presented in this chapter, detailing the essential concepts that were discussed. It further details what each chapter entails specifying topics discussed in each chapter. The following chapter discusses the effect of late payments on suppliers' financial performance, using

a case study of the government department supply chain in the Eastern Cape.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

In this study, the aim is to assist suppliers and government departments acquire knowledge on handling cash flow issues caused by late payments. Late payment affects individual firms and the province's economy in various ways, ranging from increased expenses to reduced capital spending or supplier failure, and its impact worsens among credit-constrained businesses in the Eastern Cape province. The government is dedicated to modernizing government sector administration, seeking to make it more compassionate and perceptive to the requirements of the networks it supports. Along with 1994, the government implemented a series of financial and monetary improvements. Since then, tremendous progress has been achieved in implementing these reforms. Whether internal or external, late payments are a primary cause of poor department performance, deteriorating relationships, and increasing costs due to a default penalty. So many disruptions are caused by late payments than by any other known risk, making them the underappreciated scourge of supply chain and finance management. In the current effort to reform financial planning management in the South African public sector, supply chain management (SCM) has assumed a leadership role (National Treasury, 2005a).

#### 2.1 Conceptual Review

##### 2.1.1 Payment of Supplier Invoices: Legislative Requirements

The department's accounting officer is required to settle all contract agreements and pay any money accruing, including governmental claims, within the stated or approved term in accordance with Section 38 (1) (f) of the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). Unless otherwise specified in an agreement or other contract, all payments due to service providers must be made within 30 days of receipt of an invoice or, in the case of civil claims, the date of settlement or court judgment (Treasury Regulation 8.2.3) (National Treasury, 2019/2020).

### 2.1.2 The Public Finance Management Act (PFMA) of South Africa, 1999 (Act No.1 of 1999)

The Fiscal Management Act (PFMA) of 1999 (Law No. 1 of 1999) is the most critical enactment passed by any country when it comes to democracy (updated by Law No. 29 of 1999). One of the plans is as follows: the legislation strengthens the foundations for solid financial management by maximizing service delivery by making realistic and productive use of constrained assets. The main goals of this law are to modernize the public sector financial management system, enabling public sector managers to rule with greater accountability, provide timely, high-quality information, and improve the utilization of public assets. Its purpose (National Treasury, 2019/2020) is to eliminate waste and corruption.

### 2.1.3 Reviewing related regulations to Supply Chain Management (SCM)

The strategic document characterizes BEE as a comprehensive and steady socio-economic preparation, which straightforwardly advanced the financial change in South Africa, and altogether expanded the number of blacks who oversaw, possessed and controlled the country's economy by and things of wage.

### 2.1.4 The Nature of Supply Chain Management (SCM)

SCM describes the management necessary to supply products and services to final customers as they move through the supply chain. SCM controls both supply and demand (Bizana 2013:3). The three critical steps of public SCM are pre-tender, tendering, and post-tender. Vital governance concepts must be used to handle all of this. Evaluation of needs, arranging and budgeting, arrangement of details, and determination of the foremost fitting acquisition strategy are all portions of the pre-tender. The invitation to tender, review, and adjudication of offers are all part of the tendering step. Contract management, ordering, and payment are all part of the post-tender process. Compelling governance standards must be connected to all three stages of the SCM cycle, as SCM forms create payment delays if they are not accurately taken after (South Africa, National Treasury, 2015). A Procurement Management Procedure is a structure by which

things are purchased from outer service providers. It is an essential requirement in procurement management. Generally, the procurement procedure helps a government department "get what department has paid for from suppliers" (South Africa National Treasury, 2015).

Within the final three decades, most governments in Sub-Saharan Africa have finished a few sorts of loose obtainment change. This change often involves the usage of modern acquirement directions, which are regularly based on the collaboration of new organizations or the integration of existing ones (Williams-Elegbe, 2014:33).

## 2.1.5 The components of Supply Chain Management

### 2.1.5.1 Demand Management

This is the start of the production network; the board interaction and structures are part of the essential arranging of the office. The division will distinguish assets needed to help its responsibilities and ensure that such assets are conveyed at the right time, place, value, amount, and quality.

### 2.1.5.2 Acquisition Management

This is the region's acquisition administration. The procurement board determines how the market will be approached, bid documentation, evaluation of proposals, and the agreement papers to be completed to obtain the requisite labour and items.

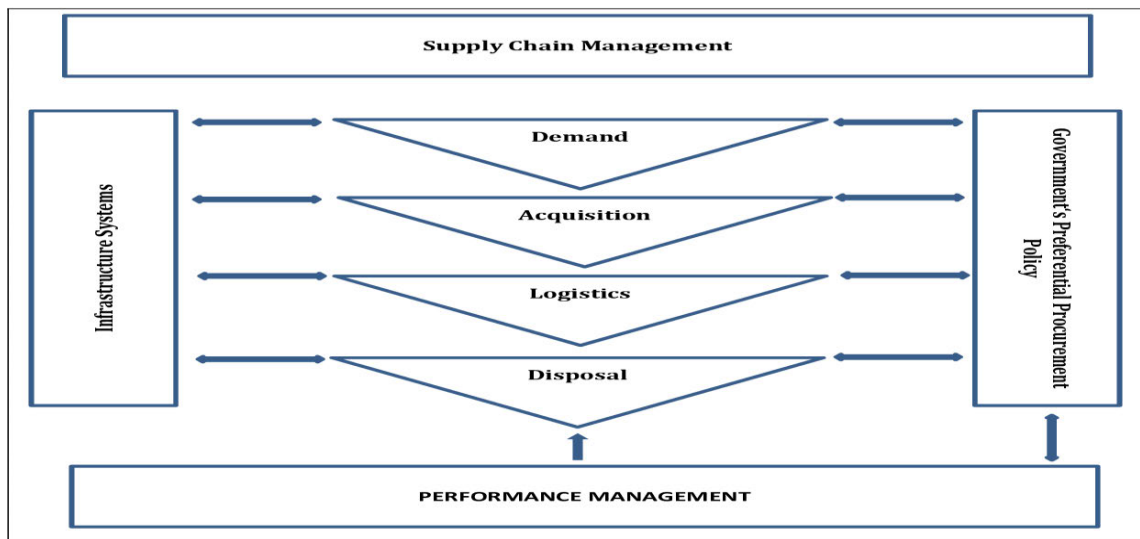
### 2.1.5.3 Logistics Management

This viewpoint sets the stock level, accepts, and conveys merchandise, stores and stockroom the executives, transports the executives, seller execution, support and agreement administration.

### 2.1.6.4 Performance Management

This is the observing cycle, undertaking a review examination to decide if the legitimate cycles have been followed and whether the ideal destinations were achieved.

***Figure 1: outlines the various SCM components that the Republic of South Africa's government employs.***



Adapted from these sources: Moeti, Khalo, Mafunisa, Nsingo, and Makonda (2007), Public Finance Fundamentals, 1st ed., p. 129, Juta Academic, South Africa; Van der Walldt, (2007), Municipal management: Serving the people, p. 205, Juta & Co. Ltd, Cape Town; National Treasury, 2004, Supply Chain Management: A guide for accounting officers/authorities, Republic of South Africa, February 2004, p. 11, viewed 05 May 2012, from <http://mfma.treasury.gov.za>, Source: National Treasury 2003: Internet

## 2.1.6 The five columns of procurement are:

### 2.1.6.1 Fairness (moral and reasonable managing)

Observe moral guidelines. Recognize and resolve clashes of intrigue or their potential. Treat providers

reasonably. Do not compromise the status of the nation by tolerating endowments or amusement. Use available property with care. Provide help to kill extortion and debasement.

### 2.1.6.2 Equity

Promote the improvement of little, medium, and smaller-scale ventures. Empower blacks, counting ladies, labourers, youth, individuals with incapacities, and individuals living in provincial zones. Support work creation. Promote neighbourhood businesses. Support nearby items.



### 2.1.6.3 Transparency (responsibility and detailing)

People and education are responsible for the comes about of their activities and results and Open and straightforward management Pass external review Pass public reports. Competitiveness (open and effective competition, employment's legislative, policy and practice framework for transparent procedures.

### 2.1.6.4 Openness of the procurement process.

Adoption of suitable market conditions Contractual methods promotes effective competition; Compliance with the Preferential Contracting Policy Framework Law; Accessibility to procurement opportunities for potential suppliers; Institutions that restrict competition in the market environment are aware of this and use contracting strategies that take it into account; Give suppliers the information they need in a timely manner so they can submit quotes.

### 2.1.6.5 Elimination of prejudice and favouritism.

Capable suppliers are not deterred by the cost of bidding opportunities. The cost of promoting competition is at least proportional to the benefits obtained (Fourie and Cornel, 2020:6).

### 2.1.7 SCM in South Africa Faces Difficulties

There are problems with South African open acquisition practices, including non-compliance with acquisition and SCM-related legislation and standards and tender anomalies, despite improvements in open acquisition procedures and SCM as a strategic tool. The theft of R30 billion from taxpayers. The public was to be censured for their ineptitude and carelessness. Additionally, according to De Lange (2011):62, the South African government spent R26.4 billion in 2010 on practices that were against standards and regulations.

Demand management is crucial to the process of supply chain management. It creates the framework for decision-making that enables departments to buy products and services at the ideal time, place, and cost. According to Ambe and Badenhorst-Weiss (2011):15, numerous government agencies continue to receive complaints about poor planning and a failure to match

demand to budget. Inside control and hazard moderation processes must be established using the appropriate SCM policy and approach. As a result, a great deal of fraud and corruption has occurred. Inside government departments, fraud, corruption, and other administrative malpractices obstruct SCM (Smart Procurement, 2011).

*Table 1 shows the significant obstructions preventing the successful implementation of SCM.*

<b>Components of SCM</b>	<b>Key challenges</b>
SCM legislative requirements	failure to follow SCM policies and procedures. Incomplete expert knowledge, skills, as well as the abilities.
Demand management	Insufficient preparation and demand-budget alignment.
Risk management	Risk management is insufficient and inconsistent.
Supply chain performance	Monitoring and evaluation are insufficient
Ethics and conflicts of interest	There is not a service level agreement in place. SCM irregularities.

**Source:** Ambe and Badenhorst-Weiss: (2012).

## 2.1.8 Procurement Process in Government Department

Procurement is a controlled cycle governed by numerous laws, rules, guidelines, legal and administrative decisions, agreements, and tactics (Public Depository, 2005). The Public Accounts Office educates an inventory network executive (SCM) structure that regulates how public sector procurement is conducted. The Expansive Based Dark Financial Strengthening Act 53 of 2003 (Public Depository 2005; Hugo and Badenhorst-Weiss, 2011:287–290) and the Board Act 56 of 2003 (Public Depository 2005; Hugo and Badenhorst-Weiss, 2011:287–290) are the City Money Act, the Special Acquisition Strategy System Act 5 of 2000, and the Board Act. This framework can benefit all administration departments, existing organizations, and public institutions.

## 2.1.9 Procurement Decentralization

The government of South Africa decentralizes acquirement of possessing or neighbourhood prerequisites (materials, gear, and administrations) to departments, provinces, and districts to an incredible degree. When one considers the various incidents of subtle extortion and the need for services at all levels of government, one has to wonder if these parties have the knowledge and desire to get the most value for taxpayers' money. Numerous arguments suggest that procurement could be transferred to more qualified, accountable procurement officials/agents or consortiums. Benefits of centralization include volume-based utilization, reduced obtaining effort duplication, improved management, and the growth of specialized acquiring information. Handfield, Monczka, Guinipero, and Patterson, 2011: 160-61). Even though opposed to it, decentralization usually results in a faster response to requests, a better grasp of unique local needs, a closer relationship with providers, and the expectation of accountability for decisions that affect one's budget (Handfield et al. 2011: 162).

Because of the emphasis on creating and managing relationships with suppliers following awards, less time is spent resolving issues. More time is spent analyzing the delivery quality and discovering cost-cutting and benefit-gain opportunities—Republic of South Africa National Treasury (2015).

Figure 2: Choosing how to distinguish depends on two variables (adjusted from Kraljic, Dwindle), "Purchasing Must Become Supply Management,"



**Source:** Harvard Business Review, September-October (1983).

Strategic commodities are high-value merchandise that is basic for benefit conveyance, have detailed and/or thorough guidelines, and few qualified merchants. The objective ought to be to set up long-term connections with suppliers. Leverage commodities are high-value things that are showcase- or price-sensitive due to showcase contention; various providers have many items and administrations to select from. The objective should be to upgrade the government's acquiring control while keeping advertising competition alive. Bottleneck commodities are low-value products with complex determinations that significantly impact benefit distribution and are served by a small number of competent providers and few options. In this occurrence, the point should be to oversee supply hazards by keeping up supply coherence through solid and longer-term contracts. Small, low-value person exchanges and common items and administrations are considered routine/non-critical commodities. There are various suppliers and products to select from. By mechanizing the obtaining preparation as conceivable, the objective should streamline the securing handle and diminish exchange organization.

### 2.1.10 Tender Processes

The decision-making handle permits department Tender Forms to guarantee that practices that favor openness, judiciousness, and the procurement of comparable value for cash are taken after. Different tender committees are required to create acquisition rules inside the government's delicate standards framework, guarantee that the set rules framework for government tenders are taken after, analyze bids received, and award-winning bidder's contracts (Woods and Mantzaris, 2012:120–121).

The evaluation procedure to respond to the offers is Strategy 3. The money related citation will be scored utilizing the taking after equation:  $A = (1 - \frac{P - P_m}{P_m})$

$$P_m$$

The value of W1 is 90, when the financial value (including value-added tax) of all response quotes received exceeds R1,000,000; or when the value of the financial value (including value-added tax) of one or more response bids is equal to or less than R1 000 000, it is 80. Up to 100 short W1, delicate assessment focuses will be granted to tenderers who total the preferencing plan and who are found to be qualified for the inclination claimed National Treasury (2016). The

three steps of the public SCM cycle are pre-tender, tendering, and post-tender; this must comply with stringent governance guidelines— The South African Republic's National Treasury (2015).

#### 2.1.10.1 Pre-tendering, often known as demand management, is a stage in the procurement process.

The pre-tendering phase is crucial for demand planning, procurement planning, item and specification management, and supplier management. This step makes sure that the acquisition of goods, services, construction projects, and other products is well-planned and related to the resource allocation and strategy of the procurement entity. To guarantee that products are delivered on time, in the appropriate location, at the appropriate price, in the appropriate quantity, and in good condition, this alignment is required. This stage of the strategic planning process involves a thorough needs analysis.

#### 2.1.10.2 The stage of tendering

This phase includes the solicitation of bids, their evaluation, and decision. To avoid the need for competition and a struggle of intrigue, all prospective bidders had to have access to the same sensitive information. Details, quantities, delivery schedules, acceptable deadlines, locations for receiving paperwork and tenders, as well as an accurate, thorough, and non-discriminatory description of the evaluation and award criteria, should all be included in the offered reports. After the cutoff date, these cannot be changed.

#### 2.1.10.3 After the tender, there is a step called the post-tender stage.

This step includes contract management, order fulfillment, and payment processing. Contracts or benefit level agreements must contain sufficient information to enable providers to deliver goods or services of the required description, quality, and quantity within the agreed-upon time frame. Contracts or benefit level agreements must not contain any requirements or conditions that are not stated in the offered records. Some post-tender violations may happen if provider

execution is not supervised; for instance, the procuring expert may widen or change orders against the initial contract for the benefit of the providers. Contracts can only be increased or changed by a maximum of 20% of the original contract value for all other goods and services, or a maximum of 15% for all other goods and services.

When a government substance issues and asks for a citation or competitive offer, some methods must be taken. These strategies are governed by several laws, including the Public Finance Management Act (Act 1 of 1999 as amended by Act 296 of 1999), the Special Procurement Policy Framework Act (Act No. 5 of 2000), and others. Although some do not, most government bodies/departments that issue bids follow these forms to the letter. This is primarily since not all requirements of the Act must be followed for each request for a quote or competitive bid. As a result, each potential buyer must ensure that they; attend the briefing, read the complete delicate record since all demands for citations and competitive offers are diverse, remain aware of the date and time the bid will close, have completed all the records in the original archive that was supplied; and have joined all the specified documents.

### 2.1.11 The impact of Late Payment

Late payments put firms and the more excellent provincial economy in jeopardy in various ways, from increasing prices to reducing capital, impacting suppliers' operations, and it is small enterprises' investment decisions that are most vulnerable to late payments. On the other hand, late payment damages service providers in many ways, such as bigger prices related to working capital funding, relinquished interest on money set aside, and the value of goods or services set by management related to chartered certified accountants (Mano, 2015). Literature shows that many factors are accountable for outstanding remittance. For instance, fruitless usage of finance, insufficient money to fund deeds, neglect to obtain finances from banks in a schedule of decreased trades, late in delivering holding cash to a fabricator, and reprieve in analysis and certification of short-term and last reimbursement (Ramachandra and Rotimi, 2011:198).

According to South Africa (SAICA) small Business Survey (2016), in small enterprises less than five years old, 76% of small enterprises lack finance, and insufficient cash flow is the main

obstacle to increasing Root constraints piece company Xero (2017) One study, small and medium-sized enterprise. The cash flow is the second most trapped he encountered, with 35% of respondents stating that cash flow difficulties keep them awake at night. Similarly, according to Sage's recent report, the "Domino effect" (2017), 8% of small companies pay either not paid or too late, even for small and medium-sized enterprises forced to write them off as bad debt. According to the poll, 52 percent of respondents said they had suffered unfavorable consequences due to late payments. A business does not have to fail for the economy to face the consequences of late payment. A large panel dataset of Eastern Cape suppliers, for example, was used to show that credit-constrained enterprises rely on trade credit to finance capital expenditure and that this dependence grew during the recent financial emergency (Carbo-Valverde, Rodriguez-Fernández, and Udell, 2016).

### 2.1.12 Financial performance in supply chain

To deal with the inherent complexity and risk of global production systems, Hartley-Urquhart (2006) proposed that suppliers examine financial performance as closely as they manage physical supply chains. Resilience, defined as the ability to remain stable and alter (adapt) system behavior in dynamic environments in significant disturbances while retaining acceptable performance, is a proven concern in supply chain dynamics. Although operational risks are linked to day-to-day SCM activities like lead-time and demand changes, disruption risks are linked to high-impact, low-frequency occurrences (Ivanov, Dolgui, Sokolov and Ivanova, 2017). Finance articles frequently ignore the difficulties in strategy and operations management in favor of discussing the technical aspects of financial supply chains (Blackman, Holland, and Westcott, 2013).

Since the past investigation has tended to center nearly only on the development of items and administrations within the supply chain and, to a great extent, overlooks the development of cash and related monetary exercises, budgetary forms such as solicitations, payments, and outside trade and managing an account exchange have received minimal consideration within the supply chain literature (Blackman et al., 2013). Small businesses were already having cash flow problems due to late payments before the Covid-19 crisis. According to a Xero (2019) survey, 91percent of SMMEs report being owed money that is not due, and 47percent say that cash

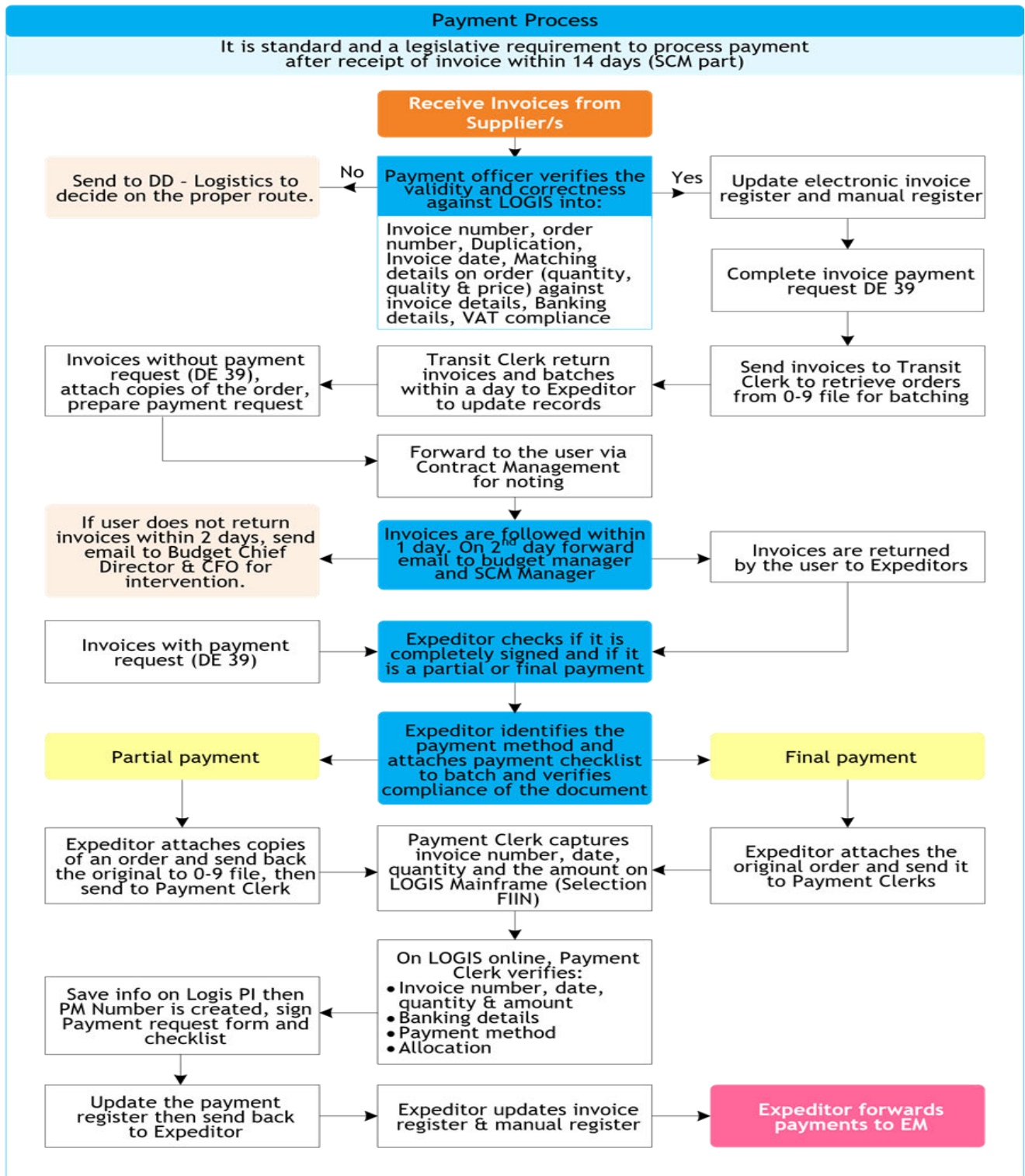
flow and late payments are the two biggest obstacles to their companies' ability to grow. The financial stability of suppliers is slightly impacted by late payments, forcing them to take out loans to stay afloat and fulfill their contractual commitments to public sector organizations. When government institutions fail to satisfy their contractual obligations and pay their suppliers on time, it is common for suppliers, particularly SMMEs, to be liquidated, adding to the already high unemployment rate National Treasury 2019/2020.

### 2.1.13 Instruction on the Payment of Suppliers

The National Treasury must receive a monthly report from each national department detailing the number of invoices received, the total number of invoices not paid within thirty (30) days of receipt, and the justifications for late payments to suppliers. Late payments, delayed payments, and bills paid after the contract period must all be reported under the PFMA (2012) after thirty (30) days have passed since the invoice was received. Suppliers should be advised to become familiar with government regulations and procurement and payment processes to understand why payments are late.



Figure 3: Payment Process



Source: Naing (2014).

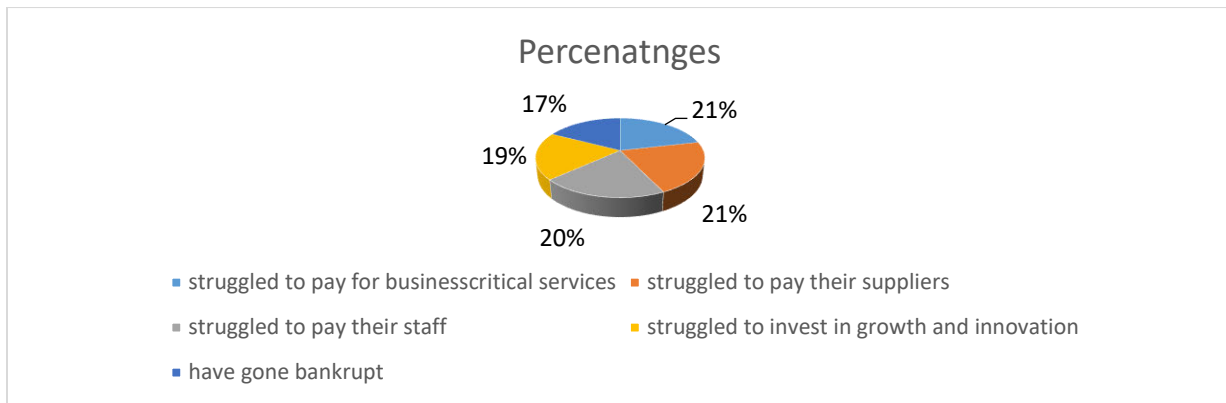
Table 2 shows the process of paying invoices; before creating orders, all the conditions necessary to complete the payment must be completed for invoices to be paid within 30 days. If the department has the invoices, it is unable to request for an SBD 4 or SBD 9 or a tax clearance certificate. Other tasks that the department must complete ahead of time include confirming that the supplier's information is already in the system and has been confirmed by the National Treasury, all before receiving invoices. As a result, when it comes to receiving invoices, all the department wants to do is press the button (Naing, 2014).

The State Treasury issued orders to national and provincial departments in December 2011 requiring them to pay valid bills within 30 days. Furthermore, President (2012) emphasized in his State of the Union speech that "all agencies must ensure compliance with instructions and pay vendors for work performed within a period of time. 30 days." Most departments, however, still have trouble paying providers within 30 days. but continue to struggle with making payments to providers within 30 days. Several departments have already completed this condition concurrently (Naing, 2014).

#### 2.1.14 The State of Late Payment in South Africa

Small and medium businesses (SMEs) employ approximately half of South Africa's workers (47%) as well as provide more than 20% of the country's GDP. However, small businesses are frequently caught in a stagnating economy and cyclical social-political turmoil. This vital sector of our economy faces a slew of obstacles that frequently leave providers on the precipice of success or failure. Late payments are one such problem Xerox Front Cover (2019). The extent of late payment Over 500 business decision-makers in South African SMEs were polled. Surprisingly, 91 percent of SMEs are currently in arrears on payments, with an average debt of R99,801 outstanding at any one time. In total, this amounts to a whopping R249.5 billion nationally (Xerox Front Cover, 2019).

**Figure 4: An estimation of the suppliers who have had invoices paid late**



**Source:** Sage South Africa (2017).

The most often claimed reason for not pursuing late payments across the 11 nations studied is safeguarding client relationships, accounting for at least 96 percent of the entire company (Sage South Africa, 2017).

**Table 2: Global Late Payments Landscape**

Country	Late payment percentage of invoices (percent)	The average number of days spent by small businesses per year tracking down late payments	In each country, the most significant hurdle to pursuing late payments for SMEs is	The percentage of invoices that turn into bad debt (percent)
UK	18	15	Protect client relationship (40)	9
South Africa	15	20	Protect client relationship (40%)	9
Germany	9	5	Protect client relationship (31%)	8
United States	13	15	Protect client relationship (32%)	10
Spain	12	18	Protect client relationship	8

			(37%)	
Singapore	18	15	Protect client relationship (41%)	9
Canada	10	7	Protect client relationship (31%)	8
Brazil	7	14	Protect client relationship (35%)	7
Australia	9	5	Protect client relationship (29%)	7
France	11	6	Protect client relationship (21%)	8
Ireland	15	7	Protect client relationship (43%)	8

**Source:** Sage 2017.

Protecting client relationships' is the most frequently mentioned reason for avoiding pursuing late payments across the 11 countries analyzed, prompting Sage (2017) to call for a fundamental shift in mentality among Small and Medium Businesses to be proud to chase completed work.

**Table 3:** For the first quarter of the 2020/2021 financial year, shows the number and value of invoices older than 30 days that have not been paid by the provincial National Treasury (2019/2020).

Number and value of unpaid invoices older than 30 days by province		
	Number of Invoices -	Rand Value of Invoices R -
Mpumalanga	-	R -
Western Cape	2	R 16 186
Northern Cape	19	R 7 852 739
Kwazulu-Natal	71	R 7 734 093
Limpopo	98	R 67 377 151
Free State	1 202	R 168 450 029
Gauteng	4294	R 500 912 456
Northwest	5725	R 462 385 871
Eastern Cape	13878	R 2 080 982 196
<b>Total</b>	<b>25 289</b>	<b>R 3 295 710 721</b>

**Source:** Treasury 2019/2020.

Table 3 shows the amount and value of unpaid bills older than 30 days for each province in the first quarter of the 2020–2021 fiscal year. According to the table, the Eastern Cape province had the most invoices paid after 30 days in terms of both quantity and value during the first quarter. 55% of late invoices and 63% of their rand value can be attributed to the Eastern Cape province. The province that is most responsible for invoice payment delays is the Eastern Cape. It is important to note that National Treasury's (2019/2020) data from the Mpumalanga province is excellent.

### 2.1.15 The Impact of COVID -19 Pandemic

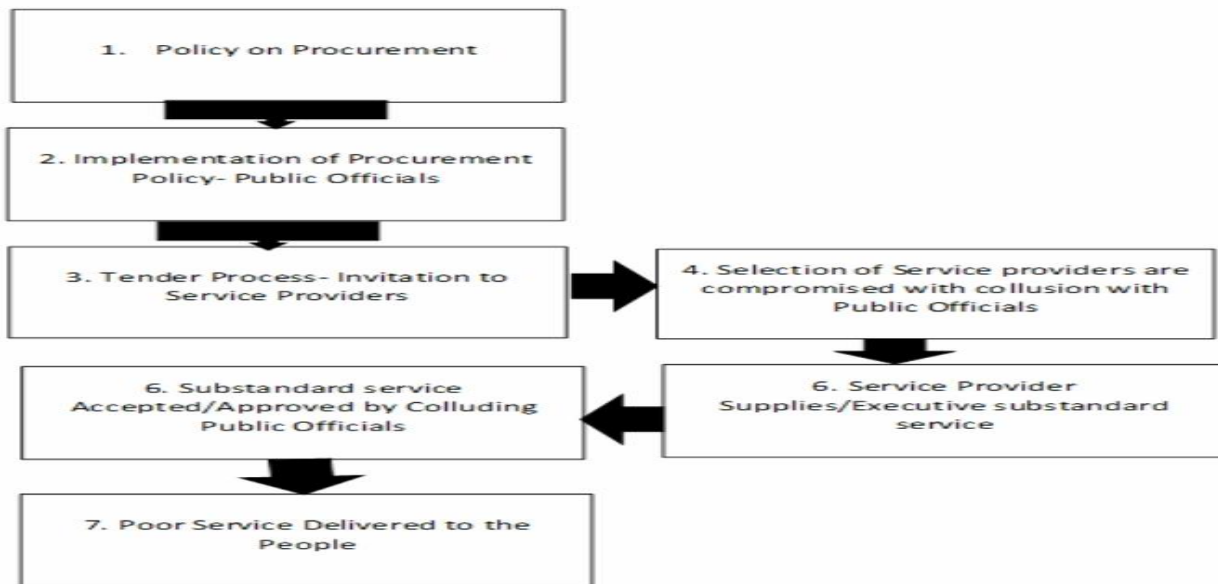
An even higher unemployment rate has resulted from the COVID-19 epidemic's significant and protracted effects on the nation's economy, businesses, and numerous Small Micro and Medium-Sized Enterprises (SMMEs). The government has announced several economic interventions to assist SMMEs and businesses that the national lockdown has impacted due to the temporary closure of their business operation National Treasury (2019/2020). The rise of contemporary supply chain innovations is enhancing their visibility across the entire supply chain and assisting companies in surviving such shocks. The traditional straight supply chain paradigm is being replaced by Digital Supply Networks (DSNs), which provide end-to-end perceivability, collaboration, dexterity, and optimization by bridging functional silos and connecting businesses to their entire supply arrangement (Kilpatrick, 2020).

### 2.1.16 Corruption and Fraud

Corruption is prevalent where goods and services are provided to the general public. Corruption unquestionably has a significant impact on procurement and the supply chain. Understanding the typical types of supply chain and procurement corruption is necessary to fully appreciate the catastrophic effects of this type of fraud (Kola, 2018). Typical examples of corruption are kickbacks, bogus charges, and those that obtain deal plans, degenerate hones, including governments and other open performing artists (Kola, 2018). In addition, providers who corruptly

bypass well-being and security prerequisites, providers who sidestep genuine law authorization, and providers who dodge essential authorizing. According to Kola (2018), bribes paid to traditional authorities or authorizing specialists and bribes paid to government authorities to avoid charges are carried out with the help of government officials and personnel. Bribery of government officials is commonplace in local government, where cronyism and nepotism are the norms. Tenders are being offered to family members, fraudulent invoices are being submitted for work that has not been completed, gifts and cash are being offered, and suppliers are paying off government representatives to pass safety and health examinations in the healthcare industry. These are just a few examples; the list is much from complete (Kola, 2018).

**Figure 5:** Corruption processes in government supply chains and procurement at the local level.



**Source:** Kola (2018).

## 2.2 Theoretical Review

The so-called "plan-source-make-and-deliver" handle, referred to as the "Supply Chain Operations Show," or "SCOR-model," involves acquiring materials, changing them into middle merchandise and last items, and conveying an item or benefit to the ultimate clients (Swink, Melnyk, Cooper and Hartley, 2013: 42–43). The theories that will be discussed are as follows.

### 2.2.1 Agency theory

The agency theory describes the relations between two parties when one party, the owner or principal, delegates tasks to another, the agent or representative manager (Zogning, 2017). The theory has been applied to several fields of study, including economics, accounting, finance, political science, etc. The broad application of the theory means it plays a significant role in a business structure, and undoubtedly, it has been applied to explain organizational behaviour and the leadership behaviour of private and public enterprises (Zogning, 2017).

### 2.2.2 Systems theory

The general systems theory is based on "interactions" among different elements or components (Mele, Pels and Polese, 2010). The general system theory includes components such as: (1) objects to the variables within the system. (2) the attributes of the system and its objects. (3) the interrelationship between objects in a system; and (4) the existence of a system within an environment" (Mele et al., 2010). Systems can be considered as close, open, or isolated. People or information with their external environment is exchanged in open systems. On the other hand, closed systems have no exchanges of people or information but simply of "energy." In an isolated system, there is zero exchange of elements. An open system facilitates interaction with other people in different sectors, which helps exchange ideas to empower people. To create sustainable and viable businesses, it is imperative to leverage expertise from different sectors to empower lesser or small businesses. When applied in SMEs, system thinking helps create knowledge, value, relationships, and quality (Mele et al., 2010). The concept of cybernetics has been found helpful in system theory to explain social cohesion in an open system. "Cybernetics" refers to "to control and communication in the machine system" (Lai and Lin, 2017).

## 2.3 Theoretical Framework

A supply chain comprises two or more parties associated with a stream of assets, frequently fabric, data, and cash. SCM is the administration of operations relating to the development of crude materials from providers to conclusion clients and back within the case of reusing or returns (Webster, 2011: 4). The theoretical framework provides a broad description of interactions between items in a specific occurrence, which is considered in the department and supplier's financial

performance (Mika, 2018). Mainly, suppliers are concerned about what makes department fail to pay for services within the agreed period suitable for this study. Considering the effect of late payments on suppliers' financial performance in this study makes it possible to search for factors that help suppliers survive. Thus, the systems theory provides a unified theory for this study; thus, the agency theory and the systems theory will be used as the theoretical frameworks underpinning this research

## 2.4 Summary of Literature Review and Identification of Gap

In this study, the researcher critically identified the department's challenges when it is their time to pay suppliers. Like any other government department, the departments have one common goal when the service providers have rendered services. After receiving an invoice, all payments must be made to service providers within 30 days. This is written in the treasury regulations. If the department fails to pay invoices within 30 days, it is regarded as financial misconduct.

## 2.5 Chapter Summary

This chapter examined the literature on the causes of the impact of late payments on suppliers' financial performance using a case study of the Eastern Cape government's supply chain. Disappointment with the quality of benefit, destitution, unemployment, customer cooperation, belief, social propensity, and advantage have all been distinguished as potential causes of late payment within the literature. The investigation plan and methods will be investigated within the taking after chapter.



## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

In a research project, the terms "research objectives," "research questions," "data collection," "data analysis," and "data interpretation" are all logically combined. According to Ohei (2014:59) and Mackey and Mackey (2016:1), a research technique, on the other hand, is defined as a methodical investigation of study materials and sources used to establish facts and draw conclusions (Goundar, 2012). The research approach, research design, study area, data collection tools, study population and sampling, data processing method, and study restrictions and delimitations are all covered in this section. It also talks about how this study was supported by qualitative and quantitative research methodologies. In the Eastern Cape of South Africa, suppliers and various departments were chosen at random and given questionnaire surveys.

#### 3.1 Research Design

An important principle of a human-centered strategy is to involve participants in one or more stages of the design process. To make better design decisions in the future, it is important to have a better understanding of people's activities, needs, and behaviors (Steen, 2012: 72–80). The use of open-ended (qualitative research) and closed-ended (quantitative research) questionnaires and interviews, whether in-person or over the phone, is required by COVID-19. For DEDEAT's Financial Management and Supply Chain Management divisions, questionnaires were given to service providers, while telephone or in-person interviews were used for DEDEAT's Supply Chain Management division. The five open/closed Likert scale questionnaires' data were used to create the questionnaires.

##### 3.1.1 Questionnaires

The results of the study formed the basis for the research design. The questionnaire considered both the theory and the measuring tools. To replicate their perceptions of the effects of the Department of Economic Development, Environmental Affairs, and Tourism's risk

management, the questionnaire included both management and non-management personnel. Additionally, it catered to the practical convenience of the supply chain management and finance management divisions as a risk management tool. The questionnaire was administered to the management and non-management respondents within the Department of Financial Improvement, Environmental Affairs and Tourism. It was utilized to induce views from staff serving the office at divergent levels. The research is practical.

## 3.2 Qualitative and Quantitative Research approach

### 3.2.1 Qualitative Research Approach

Qualitative research is typically conducted directly on-site. It can range from a one-hour face-to-face meeting to following a member for a few days or even a contemplation over a few weeks or months. Qualitative research is exploratory or interrogative to get beyond the surface. The goal is to get insight into how people live, what they do, how they use things, and what they demand in their daily or professional lives (Government Design Service Manual, 2016).

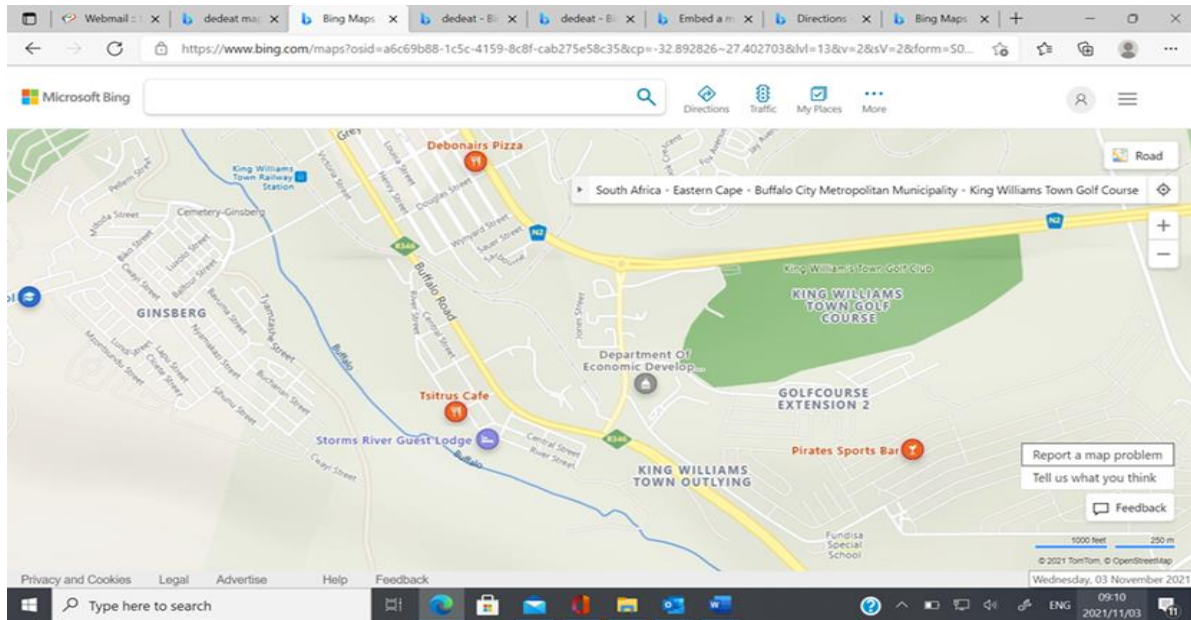
### 3.2.2 Quantitative Research Approach

Quantitative research is carried out remotely or implicitly. Typically, it entails gathering important data from sizable crowds of people. The result of quantitative research is numbers or truths. These "facts" can be translated inaccurately because of the need for setup. Furthermore, it is impossible to determine whether a member has correctly understood the questions or what his primary motivation is. Quantitative research seeks solutions to problems using facts and figures. The intention is to portray how consumers behave or think when they shop (Barnham, 2015:837).

## 3.3 Study Area

The study was carried out by the Provincial Department of Economic Development, Environment, and Tourism in the Eastern Cape Province. One of South Africa's nine provinces, the Eastern Cape Province, is in the east of the nation within the Amathole District Municipality, one of the province's six districts. The Eastern Cape Province was formerly

populated by a single ethnic group, the Xhosa.



Source:<https://www.google.com/maps/place/DEDEAT+Head+Office/@32.8970077,27.4060439,15z/data=!4m5!3m4!1s0x0:0xdbc49859e6ad058f!8m2!3d32.v8969862!4d27.4060206>. Website:<https://www.dedeat.gov.za>

One of South Africa's nine provinces, the Department of Economic Development, Environmental Affairs, and Tourism (DEDEAT) is in the Eastern Cape. The Eastern Cape Department of Economic Development, Environmental Affairs, and Tourism hopes to create a province where sound environmental management underpins sustainable development. Its main objective is to move forward in anticipation of potential advancement, with its top priorities being to enhance organizational performance, regional economic cooperation, outflow reduction, carbon reduction, and green economy initiatives, as well as to guarantee the province's preservation status. DEDEAT:2022. A significant mission change resulted from the formalization of the twelve primary outcomes determined and accepted by the National Cabinet.

To demonstrate the following results, the Department had to alter its strategic plan: An effective, competitive, and responsive economic infrastructure network, well-protected and continuously improved environmental assets and natural resources, an efficient, effective,

and development-oriented public service, and an empowered, equitable, and inclusive citizenship are all necessary for decent employment. (DEDEAT:2022). DEDEAT is firmly committed to: First, as stated in the Batho Pele Principles, which include transparency, service delivery, and community involvement, DEDEAT is committed to improving living conditions for all South Africans and fostering a healthy environment. Second, Financial obligations are imposed under the Public Finance Management Act (PFMA) of 1999.

Third, Innovation and leadership in the Department, in civil society, and, most importantly, in the stunning natural environment that all of us share (DEDEAT, 2022). Fourth, to achieve and realize its vision and aims, DEDEAT is thoughtfully divided into three programs and a variety of shrewdly arranged sub-programmes. The three programs are administration, economic development, and environmental management. All DEDEAT personnel are committed to achieving the department's mission of innovation and leadership, which fosters a sense of fulfilment and belonging (DEDEAT, 2022).

## 3.4 Population and Sampling Technique

### 3.4.1 The population of the Study

According to Du Plooy-Cilliers (2014), choosing a sample of the population to represent a research study is an approach. The Eastern Cape's departmental officials made up the target population for this study endeavour. The population of the study was the supply chain and financial management network, which consists of SCM/ Finance specialists and particular service providers reflected in the department's supply chain database. Questionnaires were administered to a sample of these people.

### 3.4.2 Sample Frame

As the owners and managers oversaw some service providers, the sampling frame for this study was made up of employees from the DEDEAT's financial management and supply chain management departments.

### 3.4.3 Sample Size

The table 4 below shows the overall number of employees (including employees with impairments) by occupational bands on the 31<sup>st</sup> of March 2018 DEDEAT authorized Organogram and the sample used for this study.

Table 4: Population and Sample

<b>Sample Frame</b>	<b>Population of staff</b>	<b>Target sample size</b>
Financial management, supply chain management staff and end-users	250	120
Service providers / Suppliers	112	70
Total population	362	190

To create a more straightforward technique for estimating sample sizes at a 95% confidence level, that is Probability value = 0.05, the researcher applied Yamane's (1967:886) methodology.

Then the sample sizes in Table 4 were determined using this formula.

The sample size was calculated to be 190.

$$n = \frac{N}{1 + N(e)^2}$$

A target sample size of 190 people was used for the investigation. Since owners and managers administered some service providers, employees from DEDEAT (financial management section and supply chain management section) participated as respondents. To be

precise, the questionnaire was administered as follows.

Financial management section	50
Supply chain management section	50
End users	20
Suppliers	70
Total respondents	190

Source: Author's Compilation (2023)

### 3.4.4 Sampling Technique

The use of non-probability sampling was done on purpose. A sample selected based on analyses of essential attributes necessary to examine a phenomenon is purposeful sampling (Zikmund and Babin, 2013:393). Convenience sampling was used to select participants based on their familiarity with the research topic (De Vos et al. 2013:391). To select volunteers who would best suit the goals of the study, a researcher must rely on his or her own judgment (Buowari, 2016:75). Non-probability sampling occurs when participants are picked not at random but rather based on the traits of the target population (Terre Blanche, 2012:139). (Mellish, 2016:84). Based on their knowledge of and experience with the effects of late payments, the samples for the two demographic groups were selected: Financial management and supplier owners were selected in accordance with the characteristics of the separate firms, giving people first-hand knowledge of how suppliers function. A supply chain department was sampled based on their responsibility for creating and implementing policies related to the impact of late payments on suppliers' financial performance and their expertise and experience in this area.

### 3.5 Instrument for Data Collection

A researcher-created interview schedule was one of the data gathering tools used in this investigation. Suppliers and departments in the Eastern Cape of South Africa were spoken with. The purpose of the interview questions in Appendix B was to gather important data on the effects of late payments on suppliers' financial performance. During the interview, 3 to 5

questions were asked about methodology, the impact of late payments on suppliers' financial performance, and proposed strategies to improve late payments on suppliers' financial performance. A questionnaire titled "The effect of late payments on suppliers' financial performance: A case study of a government department's supply chain in the Eastern Cape" was also used by the researcher and can be found in Appendix B. The information from the literature research and the conclusions from the afore mentioned interview with suppliers and departments in the Eastern Cape of South Africa served as the foundation for the instrument's content. There are four sections to the questionnaire: A, B, C, and D:

- i. Section "A" is about the respondents' biographical information.
- ii. Section "B" is about the system.
- iii. Section "C" deals with late payments to DEDEAT, while
- iv. Section "D" deals with late payments to Suppliers.

Using a four-point scale ranging from "strongly disagree" (SD), "disagree" (D), "neutral" (N), "agree" (A), and "strongly agree," the questionnaire was designed in a modified Likert format (SA). The participants were then asked to rate how much they agreed with the claims made by the instrument. The Appendix contains the questionnaires and interviews that were used as data gathering tools.

Four components made up the questionnaires. The first component includes demographic data about the participants as well as information about the size and length of the firm, the members' backgrounds, and their prior employment in government agencies. This allows analysis of the survey results to assess the source and credibility of the information obtained. The second part presents the participants' knowledge about the use of the government system in administrative activities and when processing payments. The third part presents the problem of late payment to the department. Finally, the fourth part presents the problems found in a late payment to the service provider, the problems identified and the interventions that can be used to improve the process. The last two parts helped to obtain information to support service providers' and departments' problems in delinquency.

### 3.6 Reliability and validity

The reliability with which the investigation methods were done is research reliability (Noble and Smith, 2015:2). This study concentrated on the outcomes' dependability rather than their reliability because the aim of qualitative research is representativeness rather than generalization (as with quantitative research). Validity is a term used to describe how precisely the research findings reflect the data that was gathered (Noble and Smith, 2015:2). By reflecting the characteristics of these groups, the participants' representativeness was ensured, and the validity of the data acquired was assumed based on the sampling procedures used (purposive, non-probability sampling).

### 3.7 Ethical consideration

Ethics is concerned about the norms and rules that mix points and desires; therefore, individuals are the subject of sociological research, which brings its own set of evident moral dilemmas relevant to this analysis (De Vos *et al.* 2013:8).

The following ethical guidelines were followed in this study:

- i. All respondents were treated with deference and balance in order to achieve equity.
- ii. No respondents were harmed, nor were they influenced or even exposed to any distress, whether true, sincere, or mental.
- iii. Confidentiality was maintained throughout the study respondent's responses were kept confidential and inaccessible to anyone else.
- iv. The researcher took essential security precautions to ensure that the respondents' confidence and pride were protected by gathering the surveys in secret.
- v. The responders were given a complete presentation on the purpose and goal of the inquiry and how the investigation will be organized.
- vi. There was considerable trust between the researcher and the respondents throughout the inquiry. The exertion was made to gain the respondents' trust for the evaluation duration.

Fleming (2018) identifies a few ethical difficulties that an 'insider researcher' can face and the power imbalance and continuous interactions with subjects. However, it is important to take into account



the fundamentals of ethical research involving humans.

### 3.7.1 Informed Consent

According to Denzin and Lincoln (2011), the foundation of ethical research is informed consent. The time period contains crucial elements like "informed" and "consent," which need to be carefully considered. Participants should be fully aware of the requirements, how their information will be used, and any potential consequences. To participate in the studies, Members must give their explicit, active, and signed consent. This consent must also include an understanding of their right to access their data and their right to withdraw at any time. The agreement made between the researcher and the participants may be seen as the cause of the informed consent procedure.

### 3.7.2 Risk of Harm, Anonymity and Confidentiality

Members' identities must be kept secret or anonymous, and the guarantees extend beyond merely preventing the use of their names in statistics and self-identifying statements. Anonymity and secrecy are crucial for protecting people from potential harm. Player confidentiality and participant anonymity are sometimes used interchangeably, although they are not the same thing. The researcher was not aware of the person's identity due to participant confidentiality (for example, when using anonymous surveys, the researcher is not aware of the player identification). In order to maintain participant confidentiality, a player must reveal their identity to the researcher. The information is diagnosed, and the player's identity is kept secret (for example, in interviews, where the player's identities are revealed to the researcher, making the option of simplest confidentiality, no longer anonymity, possible). The potential for harm to study participants, the researcher, the larger community, and the institution should be taken into account when designing the study. Possible damages include physical, emotional, reputational, and assistance loss (such as time). The method must reduce, isolate, and eliminate risks in descending order of likelihood of harm, with full disclosure of risks to all parties.

### 3.7.3 Conflict of Interest

A conflict of interest may undoubtedly result from current or past relationships or activities involving the researcher, which must be disclosed in an ethics approval application so that the

committee can advise on how to handle the conflict. Work-integrated learning (WIL) researchers frequently carry out their research as part of the institution's WIL programs, where they may also be responsible for line-managing study participants and carrying out teaching (and assessment) duties. For example, see the artwork by using (Fleming, 2018). Turning off the source of the power differential is the solution when a conflict-of-interest results from a power differential. For instance, a teacher could abstain from evaluating the student player's work. In this case, the data was gathered by a third party who then de-identified it and made it available to the researcher. To make sure that the instructor is kept in the dark about the player's identity, the data is gathered anonymously (for example, through anonymous surveys). Like business involvement for researchers, it happens frequently.

### 3.8 Delimitation of the Research

Only department employees from the financial management section and supply chain management section, senior managers, and suppliers who had received late payments were included in this study, which was conducted in the DEDEAT, Eastern Cape. The delimitations are entirely under the researcher's control. In this way, delimitations are primarily concerned with the theoretical framework, research objectives, research questions, variables that will be analyzed, and study sample.

### 3.9 Chapter Summary

From how the problem was clearly stated to how the data was gathered and analyzed, the chapter has shown how the research was conducted. The chapter also described the methods used for selecting the participants and for sampling. In choosing a representative sample, a variety of sampling procedures were applied.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.0 Introduction

The data analysis and discussion of the findings based on the respondents' answers to the structured questionnaires are presented in this chapter. This study used the government department supply chain in the Eastern Cape as a point of comparison to examine the difficulties that late payments pose to suppliers' financial performance as well as the factors contributing to late payments. The data was examined using SPSS version 27. Using descriptive statistics, the survey's demographic section was examined. While inferential statistics were used to provide answers to the research questions and accomplish the research goals, descriptive statistics were equally useful for analyzing the scaled responses of the respondents.

#### 4.1 Response Rate

A total of 200 questionnaires were distributed, and 194 were timely returned for data analysis. Out of the 194 returned questionnaires, three were lacking information and were discarded. For this study, the remaining 191 questionnaires—representing a 95.5 percent response rate—were processed and analyzed. The demographics of the respondents are covered in the section that follows.

#### 4.3 Demographic Detail

The survey respondents were asked for demographic information in nine (9) different categories. The subsection below provides more information on the demographic information.

##### 4.3.1 Job Designation

The distribution of respondents based on job designation is illustrated in Figure 6 below.

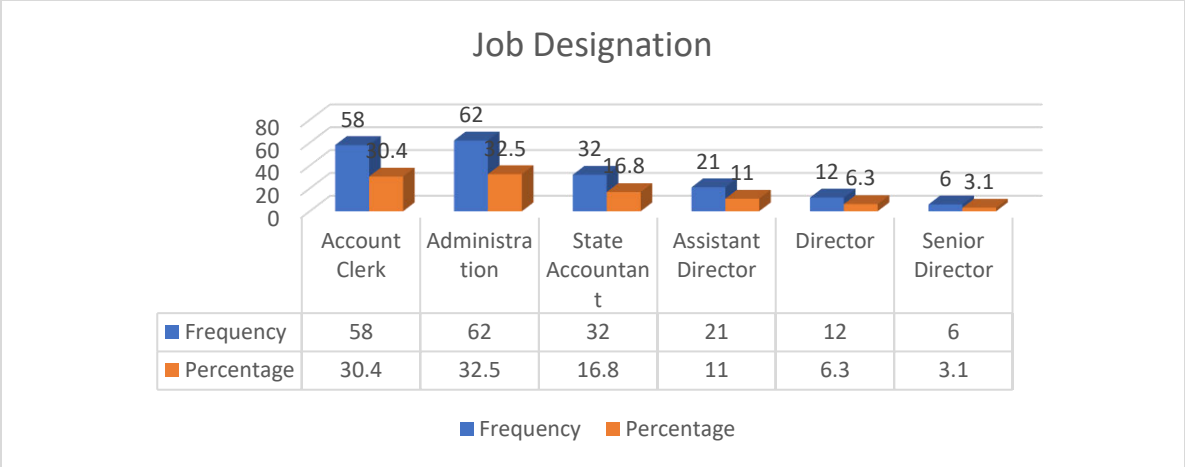
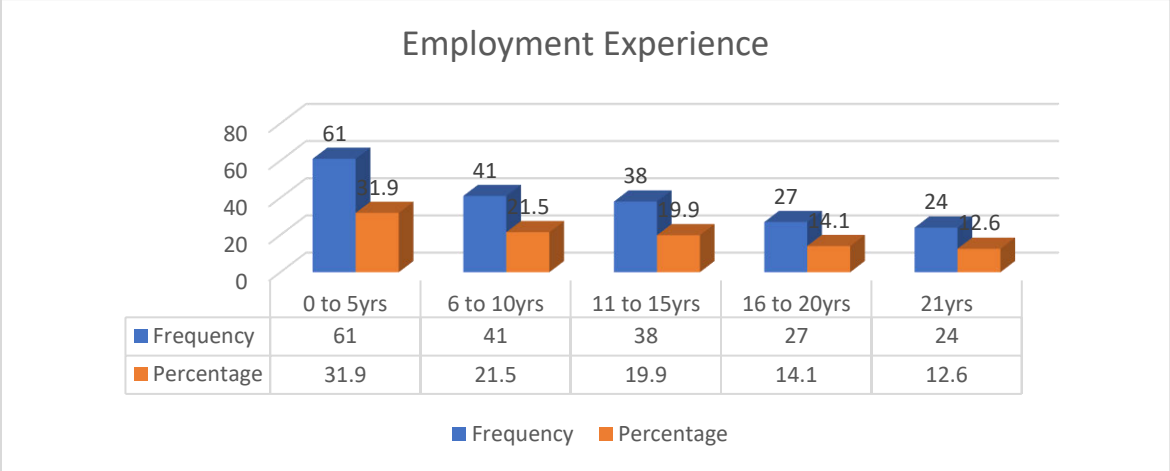


Figure 6 Respondent's job description.

The survey respondents were asked to indicate their job designation. As shown in Figure 6, 30.4% (58) of the respondents surveyed were account clerks; 32.5% representing 62 of the total respondents were administrative staff, while 11% (32) of the total respondents were assistant directors. Respondents at the director level were 6.3% representing 12 of the total respondents, and 3.1% representing 6 of the total respondents, were senior directors in the firm surveyed. According to the results of the statistical analysis, 62.9% of the survey respondents fell into the category of account clerk and administration.

### 4.3.2 Employment Experience

Figure 7 below shows the distribution of respondents based on employment experience.

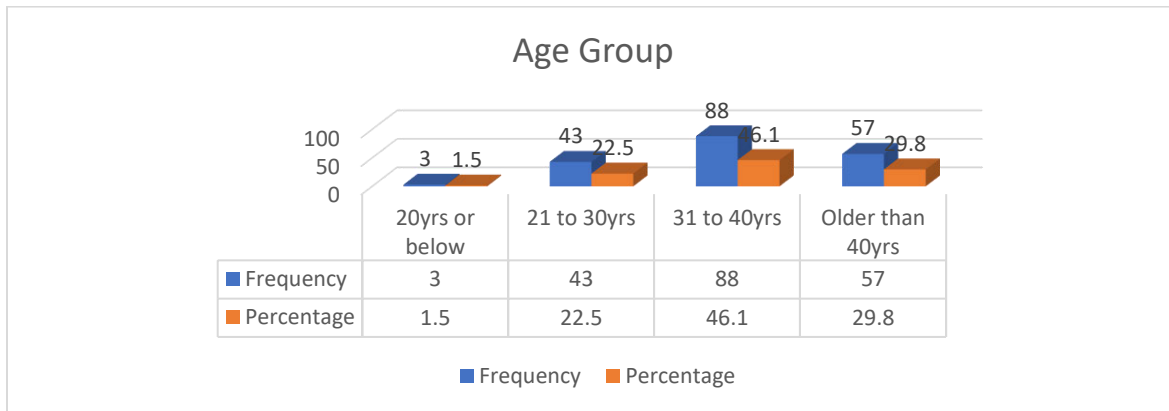


## Figure 4.2: Employment experience

The respondent's years of experience are revealed by their employment history. According to the respondents' responses, as shown in Figure 7, 31.9% (61) of the total respondents have 0 to 5 years of experience, 21.5%, or 41 of the total respondents, have between 6 and 10 years of experience, and 19.9% (38) of the total respondents have between 11 and 15 years. According to respondents, 14.1%, or 27 out of the total respondents, have between 16 and 29 years of experience, and 12.6%, or 24 out of the total respondents, have 21 years or more.

### 4.3.3 Age Group

The distribution of respondents based on Age Group is illustrated in Figure 8 below.

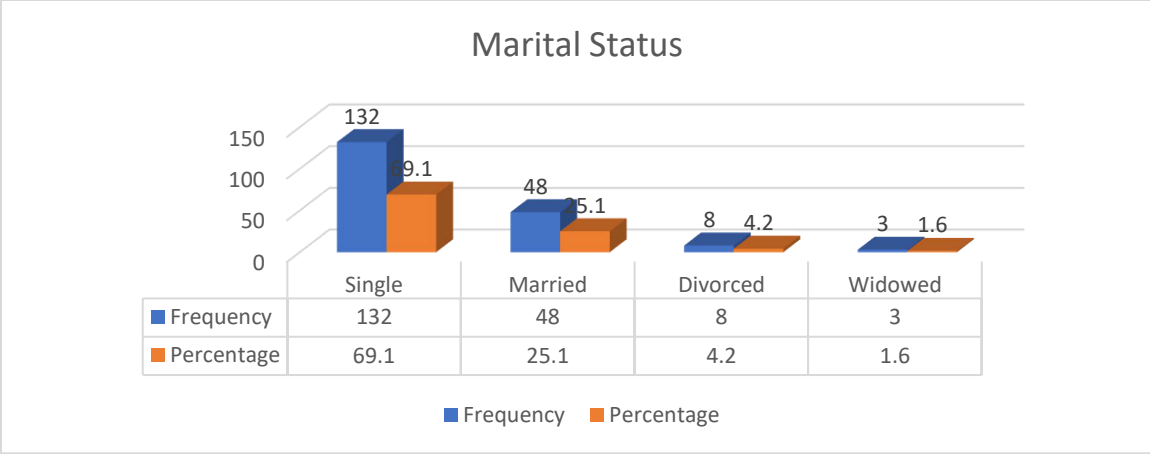


## Figure 8: Age group

The age group of the study's participants was requested of them. 3 percent (1,5) of the respondents, as shown in Figure 8, were younger than 20. A total of 22.5 percent (43 percent) of respondents were between the ages of 21 and 30, and 46.1 percent (88 percent) were between the ages of 31 and 40. Out of the total respondents, 57 people, or 29.8%, were over the age of 40.

### 4.3.4 Marital Status

Figure 9 below shows the distribution of respondents by marital status.

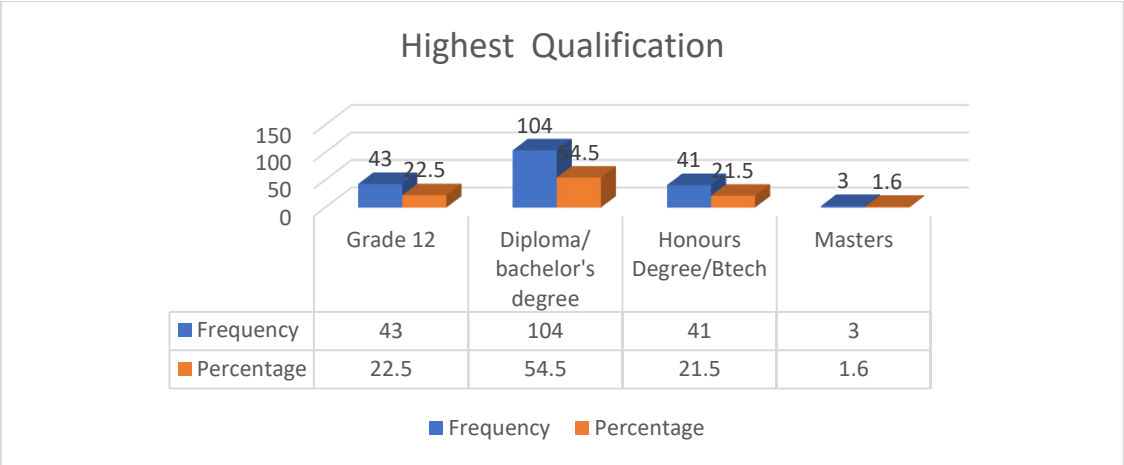


**Figure 9: Marital status**

The survey participants were asked to state whether they were married. Figure 9 showed that 69.1% (132) of respondents were single, 25.1%, representing 48 of the total respondents, were married and living with their spouses, while 4.2% (8) of the total respondents were divorced. Further, 1.6%, representing 3 of the total respondents, were widowed.

**4.3.5 Highest Level of Qualification**

Figure 10 below shows the distribution of respondents based on the Highest Level of Qualification.



**Figure 4.5: Qualification**

Figure 10 demonstrates that 22.5% (43) of the respondents had completed their secondary

education. Of the total respondents, 54.5%, or 104 out of a possible total, had earned a diploma or bachelor's degree, while 21,5% (41) had earned an honours degree or a BTEC. Three respondents, or 1.6% of all respondents, had a master's degree.

### 4.3.6 Firm Scale

The distribution of respondents based on the Firm Scale is illustrated in Figure 11 below.

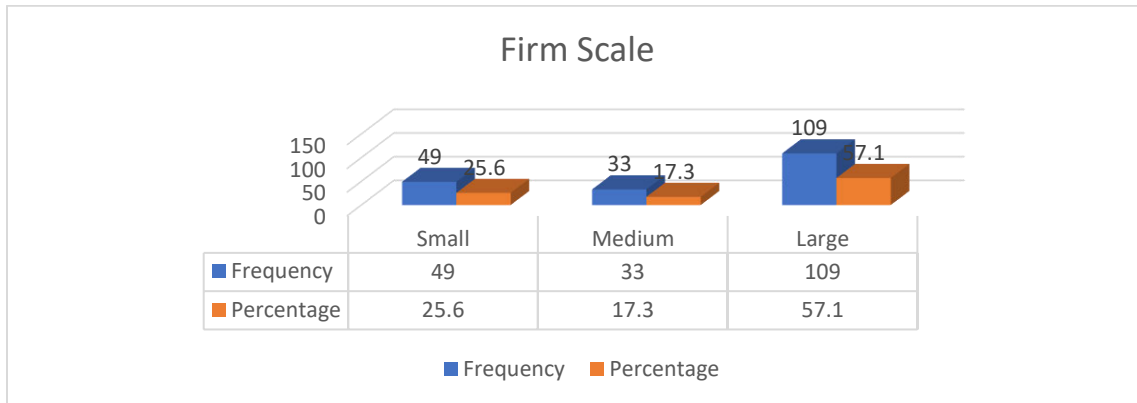


Figure 11: Firm scale

The survey respondents were asked to indicate their firm scale. As shown in Figure 4.6, 25.6% (49) of the respondents surveyed were on a small scale, 17.3% represented 33 of the total respondents were on a medium scale, while 57.1% (109) of the total respondents were on a large scale.

### 4.3.7 Existence of Environmental Costs

The distribution of respondents based on the Existence of Environmental Costs is illustrated in Figure 12 below.

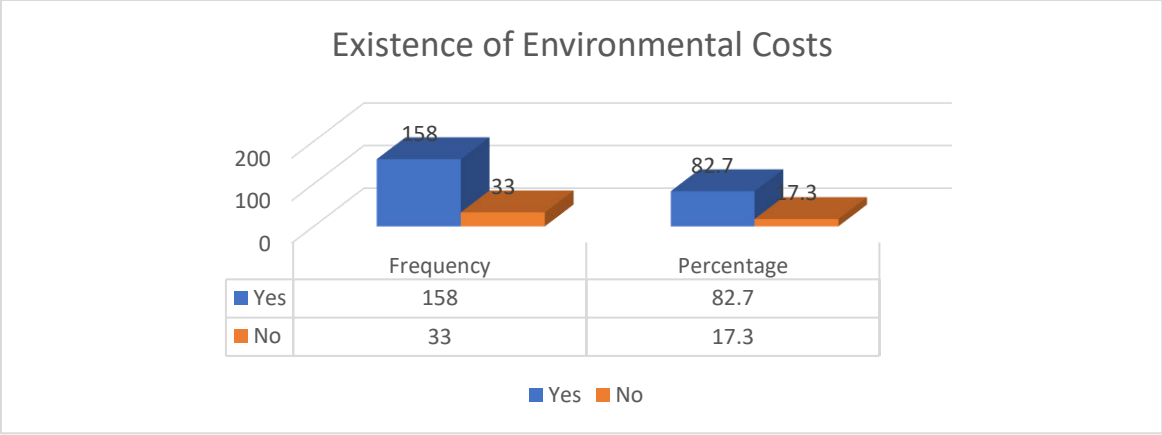


Figure 12: Environmental costs

The survey participants were asked to list the costs associated with the environment. Figure 12 illustrates that 82% (158) of the respondents who were asked about the existence of environmental costs responded in the affirmative, while 17.3%, or 82.7% of the total respondents, disagreed.

#### 4.3.8 Investments in Environmental Activities

The distribution of respondents based on Investments in Environmental Activities is illustrated in Figure 13 below.

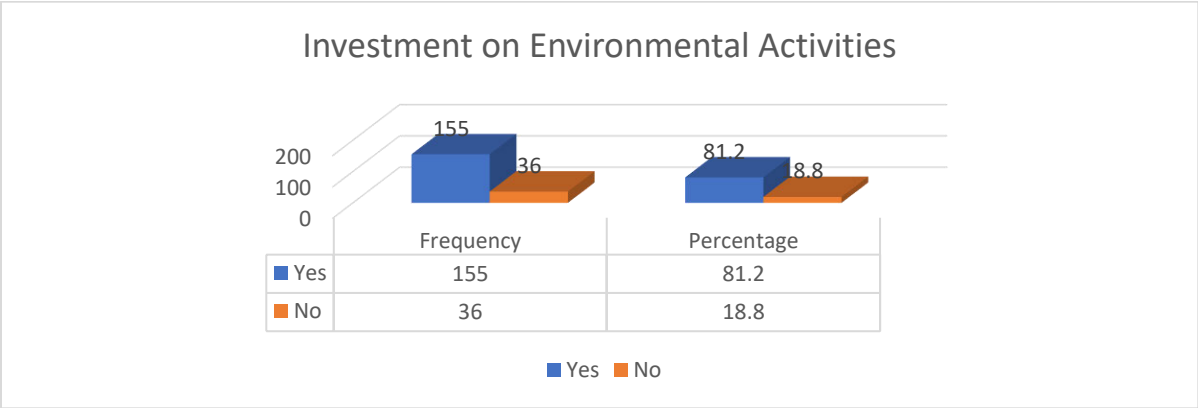


Figure 13: Investment



As shown in Figure 13, 81.2% (155) of the respondents surveyed in investment in environmental activities said yes, and 18.8%, representing 36 of the total respondents in investment in environmental activities, said no.

#### 4.3.9 Appropriate System used for Processing Payment

The distribution of respondents based on the Appropriate System used for Processing Payment is illustrated in Figure 14 below.

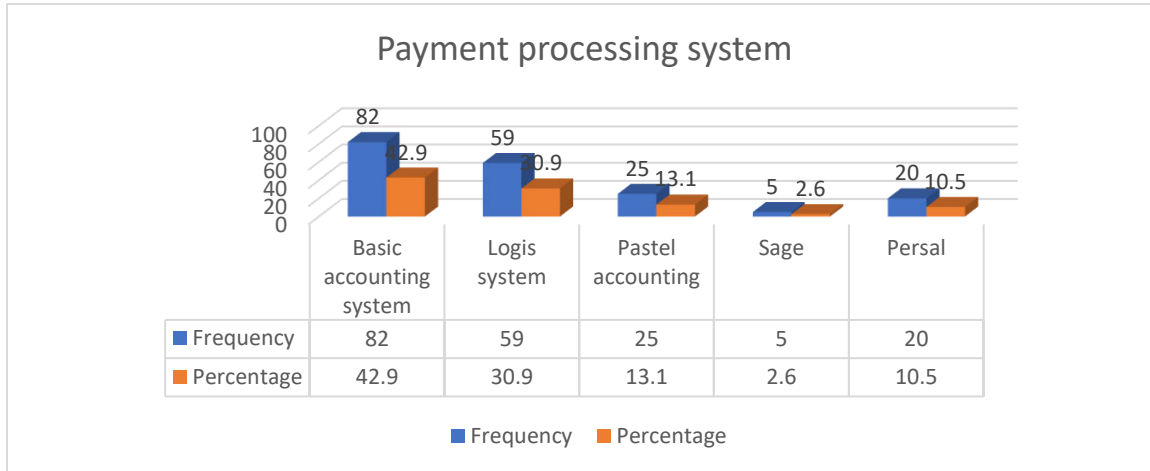


Figure 14: Payment processing system

As shown in Figure 14, 42.9% (82) of the respondents surveyed used the basic accounting system, 30.9% representing 59 of the total respondents were using the logis system, while 13.1% (25) of the total respondents used the pastel accounting system. Respondents using Sage were 2.6% representing 5 of the total respondents, and 10.5% representing 20 of the total respondents using the Persal system.

#### 4.4 Descriptive analysis of survey respondent's responses

Table 4.1; Late payment

	<b>About Late payment to DEDEAT</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1.	Suppliers can pursue late payment if a payment deadline has passed, and they have not been paid.	9 (4.7%)	10 (5.2%)	58 (30.4%)	54 (28.3%)	60 (31.4%)
2.	The department's processes of paying suppliers are followed by staff.	9 (4.7%)	14 (7.3%)	58 (30.4%)	64 (33.5%)	46 (24.1%)
3.	DEDEAT staffs are well trained to use systems (basic accounting system, logis system, persal system)	4 (2.1%)	15 (7.9%)	54 (28.3%)	63 (33.0%)	55 (28.8%)
4.	The department receives invoices before the cut-off date.	11 (5.8%)	20 (10.5%)	65 (43.0%)	56 (29.3%)	39 (20.4%)
5.	The systems (basic accounting system, logis system, persal system) operate well during payment days.	8 (4.8%)	15 (7.9%)	50 (26.2%)	66 (34.6%)	52 (27.2%)
6.	DEDEAT is complying with the Provincial Treasury regulations.	14 (7.3%)	6 (3.1%)	39 (20.4%)	72 (37.7%)	60 (31.4%)
7.	DEDEAT is planning quality improvement for late payments.	10 (5.2%)	7 (3.7%)	52 (27.2%)	73 (38.2%)	49 (25.7%)
8.	The department informs suppliers regarding late payments by sending emails/ letters and calling suppliers in advance.	26 (13.6%)	26 (13.6%)	44 (23.0%)	50 (26.2%)	45 (23.6%)
9.	DEDEAT complies fully with the Provincial Treasury regulations.	10 (5.5%)	9 (4.7%)	48 (25.1%)	63 (33.0%)	61 (31.9%)

10.	DEDEAT has controls over the late payment of suppliers.	16 (8.4%)	30 (15.7%)	63 (33.0%)	36 (18.8%)	46 (24.1%)
11.	The department does liaise with service providers when DEDEAT has a problem.	15 (7.9%)	15 (7.9%)	53 (27.7%)	65 (34.0%)	43 (22,5%)
12.	The department is happy with the services rendered by Suppliers.	9 (4.7%)	9 (4.7%)	62 (32.5%)	66 (34.6%)	45 (23.6%)
13.	Department pays bank chargers for suppliers when suppliers get their payment late.	127 (66.5%)	21 (11.0%)	20 (10.5%)	16 (8.4%)	7 (3.7%)
14.	DEDEAT Include all pertinent information on their payment terms while keeping readability and clarity.	10 (5.2%)	25 (13.1%)	64 (33.5%)	53 (27.7%)	39 (20.4%)
15.	DEDEAT pays suppliers on time to maintain good customer relations.	10 (5.2%)	19 (9.9%)	47 (24.6%)	56 (29.3%)	59 (30.9%)
16.	DEDEAT should send a message to suppliers apologizing for the late payment. Information about the invoice in question, such as the tracking number, the amount owed, and the deadline, should be included in the message.	20 (10.5%)	33 (17.3%)	43 (22.5%)	54 (28.3%)	41 (21.5%)
17.	When the payment processes are delayed, DEDEAT informs suppliers.	15 (7.9%)	19 (9.9%)	58 (30.4%)	54 (28.3%)	45 (23.6%)
18.	DEDEAT comply to Treasury regulations “pay invoice within 30 days”	6 (3.1%)	23 (12.0%)	42 (22.0%)	59 (30,9%)	61 (31.9%)

19.	DEDEAT informs suppliers before the payment date when the suppliers send incorrect invoices.	10 (5.2%)	12 (6.3%)	39 (20.4%)	66 (34.6%)	64 (33.5%)
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Source: Author's estimation (2023)

Table 4.2: Late payment to suppliers

	<b>Late payments to Suppliers</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1.	Suppliers include all relevant information on their invoices while maintaining clarity and readability.	19 (9.9%)	14 (7.3%)	62 (32.5%)	52 (27.2%)	44 (23.0%)
2.	Are suppliers following the billing terms to maintain good customer relations?	12 (6.3%)	16 (8.4%)	61 (31.9%)	58 (30.4%)	44 (23.0%)
3.	Remaining messages from suppliers offer information regarding the invoice in concern, such as the tracking number, amount owing, and due date.	9 (4.7%)	23 (12.0%)	42 (22.0%)	72 (37.7%)	45 (23.6%)
4.	Suppliers receive emails from DEDEAT when the payment processes are delayed.	21 (11.0%)	37 (19.4%)	47 (24.6%)	51 (26.7%)	35 (18.3%)
5.	Suppliers do follow up when sending invoices via emails.	13 (6.8%)	21 (11.0%)	37 (19.4%)	68 (35.6%)	52 (27.2%)

6.	Suppliers send invoices to the specific individual or office responsible for receiving invoices.	14 (7.3%)	22 (11.5%)	50 (26.2%)	53 (27.7%)	52 (27.2%)
7.	Suppliers send invoices to DEDEAT via emails, postal, and hand-deliver.	10 (5.2%)	14 (7.3%)	31 (16.2%)	62 (32.5%)	74 (38.7%)
8.	Suppliers, when they get their payment late, Charge interest and be unprofessional to DEDEAT staff.	123 (64.4%)	20 (10.5%)	18 (9.4%)	18 (9.4%)	12 (6.3%)
9.	Late payments affect businesses; some businesses close, become bankrupt and retrench staff.	18 (9.4%)	12 (6.3%)	42 (22.0%)	45 (23.6%)	74 (38.7%)
10.	Late payments affect the supplier's staff, and some staff get stressed.	25 (13.1%)	8 (4.2%)	27 (14.1%)	66 (34.0%)	65 (34.0%)
11.	Only one official is responsible for sending invoices to DEDET.	33 (17.3%)	45 (23.6%)	48 (25.1%)	42 (22.0%)	23 (12.0%)
12.	Suppliers provide services like accommodation, air tickets, car hire and goods and services to DEDEAT.	9 (4.7%)	5 (2.6%)	39 (20.4%)	73 (38.2%)	65 (34.0%)
13.	Suppliers remind DEDEAT for services rendered by sending emails or by phone calls	12 (6.3%)	26 (13.6%)	42 (22.0%)	62 (32.5%)	49 (25.7%)

Author's estimation (2023)

#### 4.5 Exploratory factor analysis

The factor structure of the items used to measure the variables in this study was established

using exploratory factor analysis (EFA). The EFA aids in determining how many variables the scales intrinsically measure.

Table 4.3 Exploratory factor analysis

Items	Item factor loadings			
	1	2	3	4
DEDEAT 2	0.594			
DEDEAT 3	0.612			
DEDEAT 5	0.584			
DEDEAT 6	0.680			
DEDEAT 7	0.653			
DEDEAT 8	0.573			
DEDEAT 9	0.576			
DEDEAT 10	0.676			
DEDEAT 11	0.724			
DEDEAT4		0.567		
DEDEAT12		0.615		
LPS 1			0.856	
LPS 2			0.692	
LPS 3			0.748	
LPS 5			0.502	
LPS 4				0.835
LPS 6				0.711
Cronbach's @	0.840	0.517	0.736	0.565
Eigenvalue	6.457	1.655	3.696	1.278

Variance (%)	33.983	8.709	28.434	49.330
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Source: Author's estimation (2023). Note: KMO = 0.789;  $\chi^2 = 2326.269$ ; df = 496; P < 0.0001

Table 4.3 represents items retained for the four components. According to Ekolu and Quainoo (2019), the two Cronbach's alpha coefficient factors (factor one 0.840 and factor three 0.736) are greater than 0.70, and factors two and four denote moderate (acceptable) reliability. The Eigenvalue for factor one, which measures the course of late payment at DEDEAT, was 6.457 and explained 33.983% of the variance. The second factor, the course of late payment at DEDEAT, has an Eigenvalue of 1.655, with a variance explained by 8.709%. The third factor with an Eigenvalue of 3.696 was used to measure financial performance and explained 28.434% of the data. The fourth factor used to measure suppliers' performance produced an Eigenvalue of 1.278 and explained 49.330% of the data. All of the components retained in each construct had loadings more prominent than 0.50, which is acceptable according to the criteria. The study sample size of 190 was adequate, as shown by the KMO test results of 0.789. EFA was performed because the Bartlett test of sphericity, which justifies its use, was statistically significant at P 0.001.

## 4.6 Analysis of the research objectives

This study's four research goals were formulated. Inferential statistics like Pearson's correlation coefficient and linear regression were used to achieve the research objectives. The subsections below showcase the outcome of the statistical analysis.

### 4.6.1 Objective One: To determine the factors influencing late payment to suppliers in the Eastern Cape Province

Research objective one of this study was formulated to establish the factors influencing late payment to suppliers in the Eastern Cape Provincial Departments. Descriptive statistics were employed to establish the factors influencing late payments to suppliers. Table presents the findings of the statistical analysis 4.4.

**Table 4.4: Summary statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
DEDEAT 2	191	1	5	3.65	1.070
DEDEAT 3	191	1	5	3.79	1.016
DEDEAT 5	191	1	5	3.73	1.076
DEDEAT 7	191	1	5	3.83	1.132
DEDEAT 8	191	1	5	3.75	1.045
DEDEAT 9	191	1	5	3.32	1.337
DEDEAT 10	191	1	5	3.82	1.097
DEDEAT 11	191	1	5	3.34	1.240
Valid N (listwise)	190				

Source: Author's Estimation (2023).

As suggested by the descriptive statistics in Table 4.4, the most concerns in facilitating invoices were delays in submitting invoices by suppliers and submitting incomplete banking details by suppliers. Table 4.4 shows that the delays in the facilitation of invoices were a cause for concern. It was also determined that there were contradictions in the information provided by suppliers at other times (Van Rooyen, 2018). All government departments have a duty under the Public Finance Management Act's clause 38(f) and National Treasury Law 8 (Thutshini, 2015) to pay their suppliers on time because doing otherwise constitutes financial misconduct. 2.3. Under the Public Service Act, chiefs of national and provincial agencies ensure that poor overall performance has consequences through officials' use.

#### 4.6.2 Objective 2: To determine the effect of the late payments on supplier performance.

The second research goal was to see if there was a link between late payments and supplier performance. The findings of the statistical analysis are shown in Table 4.5.



Table 4.5 Correlation between late payment and supplier performance

<b>Construct A</b>	<b>Construct B</b>	<b>Pearson's correlation (r)</b>	<b>p-value</b>
Late payment	Supplier performance	.321**	<.0005

Source: Author's Estimation (2023). Note: \*\* The significance level for the correlation is 0.01 (2-tailed).

As shown in Table 4.5, the Pearson's correlation coefficient revealed a statistically significant correlation between supplier performance and late payments ( $r = .321$ ,  $p = 0.0005$ ). The positive correlation suggests that late payment (an independent variable) and supplier management have a direct relationship (dependent variable). This means that when the departments' ability to address or control supplier performance improves, they will be able to address or control supplier performance more effectively. The lifeblood of any supplier and the national economy is cash flow, and Du Toit (2017)

claims that DEDEAT suppliers' late payments reduce cash flow. Businesses require cash to pay workers, buy supplies, pay off debt, and inject funds into the economy. However, when doing business with departments, companies typically sell on credit, receiving payment only after receiving supplies or after providing services and billing the organization. Empirical studies on the relationship between late payments and supplier performance in developing countries like South Africa are rare. To ascertain the relationship between the two constructs' influence, a regression analysis was conducted. 4.6 displays the results of the linear regression.

Table 4.6 Linear regressions

<b>Variables in the equation</b>	<b>B</b>	<b>Beta</b>	<b>T</b>	<b>p-value</b>	<b>R<sup>2</sup></b>	<b>F</b>	<b>df</b>	<b>p-value</b>
Constant	4.440		7.407	<.0005	.103	21.668		<.0005

Supplier performance	.083	.321	4.655	<.0005			1; 188
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Source: Author’s Estimation (2023). Note: a. Dependent Variable: Supplier performance b. Predictors: (Constant), Late payment

The results of the regression analysis summarized in Table 4.6 indicate an R<sup>2</sup> value of 0.103, which suggests that late payment accounts for 10.3% of the variance in Supplier performance, and there is a significant linear relationship between Supplier performance and late corporate payment,  $F(1, 88) = 21.668, p < .0005$ . The independent variable (i.e., late payment) is a significant predictor of supplier performance,  $B = 0.321, p < 0.0005$ .  $p < 0.0005$  is less than 0.05.

#### 4.6.3 Objective 3: To analyze the effect of outstanding payments on suppliers' financial performance in the Eastern Cape.

Research objective three was designed to establish a relationship between the effect of outstanding payments on suppliers' financial performance in the Eastern Cape. Table 4.7 provides the results of the statistical analysis.

Table 4.7 Correlation between outstanding payments and financial performance

Construct A	Construct B	Pearson’s correlation (r)	p-value
Outstanding payment	Financial performance	.375**	<.0005

Source: Author’s Estimation (2023). \*\* The significance level for the correlation is 0.01 (2-tailed).

A statistically significant correlation between outstanding debt and financial performance was found using the Pearson's correlation coefficient shown in Table 4.7 ( $r = .375, p < 0.0005$ ). The positive correlation suggests that the two constructs are directly related. This means that, as

outstanding payment improves within the department, the more they will be able to enhance or promote financial performance. Sean (2012) contends that inadequate internal capacity and subpar financial management are the main causes of departments' tardy payment of suppliers' invoices, which is attributed to inadequate budgeting by government departments. The degree of influence between the two constructs was also determined using a regression analysis. Table 4.8 displays the linear regression's findings.

**Table 4.8 Linear regression**

<b>Variables in the equation</b>	<b>B</b>	<b>Beta</b>	<b>t</b>	<b>p-value</b>	<b>R<sup>2</sup></b>	<b>F</b>	<b>df</b>	<b>P-value</b>
Constant	3.574		6.035	<.0005	.141	31.002	1; 188	<.0005
Financial performance	.224	.375	5.568	<.0005				

Source: Author's Estimation (2023). Note: a. Dependent Variable: Financial performance, b.

Predictors: (Constant), Outstanding payment

The findings of the regression analysis, which are summarized in Table 4.8, show an R<sup>2</sup> value of 0.141, which suggests that outstanding payments account for 14.1% of the variance in financial performance. Additionally, there was a significant linear relationship between and financial performance, with  $F(1, 188) = 31.002, p < 0.0005$ . Financial performance was significantly predicted by the independent variable, outstanding payment ( $B = 0.375, p < 0.0005$ ).  $P < 0.0005$  is less than 0.05.

#### 4.6.4 Objective four: To determine the relationship between late payment and outstanding payment to the supplier.

Research objective four was designed to establish a relationship between late payments and outstanding payments to the supplier. Table 4.9 provides the results of the statistical analysis. One of the most severe consequences of delaying payment to suppliers is its harm to relationships. Regardless of internal or external factors, late payments are the main cause of subpar dealer performance, the breakdown of relationships, and higher fees because of an inherent penalty. More disruptions are caused by late payments than by any other identified problem in the delivery chain,

according to Rich (2017).

Table 4.9 Correlation between outstanding payment and late payment

Construct A	Construct B	Pearson's correlation (r)	p-value
Late payment	Outstanding payment	.235**	<.0005

Source: Author's Estimation (2023). \*\*. Correlation is significant at the 0.01 level (2-tailed).

The Pearson's correlation coefficient illustrated in Table 4.9 established a statistically significant relationship between outstanding payment and late payment ( $r = .235$ ,  $p < 0.0005$ ). The positive correlation indicates a direct relationship between late payments and outstanding payments. The more the late payment continues, the more outstanding payments will be recorded within the department. The degree of influence between the two constructs was also determined using a regression analysis. Table 4.10 displays the linear regression's findings.

Table 4.10 Linear Regression

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	10.339		8.465	<.0005	.055	10.991	1; 188	<.0005
Outstanding payment	.121	.235	3.315	<.0005				

Source: Author's Estimation (2023). Note: a. Dependent Variable: Outstanding payment b.

Predictors: (Constant), Late payment

The R<sup>2</sup> value of 0.055 indicates that late payment accounts for 5.5 percent of the variance in outstanding payment and that there was a significant linear relationship between late payment and outstanding payment,  $F(1, 188) = 10.991$ ,  $p < 0.0005$ , according to the results of the regression analysis summarized in Table 4.9. Late payment, the independent variable, was a substantial

predictor of outstanding payment.  $p = 0.0005$ ,  $B = 0.375$ .  $P 0.0005$  was less than or equal to  $0.05$ .

## 4.7 Chapter Summary

This chapter has analyzed the different responses from the participants. Participants answered all questions related to the effect of late payments on suppliers' financial performance using a case study of the government department supply chain in the Eastern Cape. This chapter presented data analysis methods, study results and a discussion of the results. The results of this study were consistent with the results of several related studies on the effect of late payments on suppliers' financial performance. In addition, the influence of different demographic data on the effect of late payments on suppliers' financial performance was examined. The data findings were described as correlations to the study variables and presented in a stable form. The limitations of this study were also presented. The next chapter discusses the summary, recommendation, and conclusions.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATION

#### 5.0 Introduction

Based on the data analyzed in the preceding chapter, this chapter summarizes the findings, recommendations, and conclusions. In the previous section, the exploration plan and approach were examined as such, and this section presents the exploration discoveries as they arose out of the information assortment and investigation. On the premise, ends will be drawn, and suggestions will be made to address the effect affecting suppliers' financial performance due to late payments and the factors causing late payment using the government department supply chain. The examination objectives were figured out in Part 1, section 1.4. were introduced again for thought. The data for this study was gathered utilizing standardized questionnaire forms. The study encountered several problems, such as some respondents refusing to participate because they were afraid of answering the research questions. A total of 200 questionnaires were sent out, with 194 returned on time for data analysis. Three of the 194 completed questionnaires were discarded because they were not complete.

#### 5.1 Summary of the Research

This study aimed to see how late payments affected suppliers' financial performance; it was based on a case study of a government department's supply chain in the Eastern Cape. The government took note of three things: 1) South Africa's socioeconomic challenges, such as the country's high unemployment, inequality, and destitution rates; 2) the financial stability of service providers who had to borrow to survive; and 3) the ability of service providers to pay wage rates and uphold their legally obligated obligations. The data for this study was gathered from officials in the directorate of supply chain management and financial management, including senior directors, directors, assistant directors, state accountants, administrators, and accounting clerks. Their information about the supply chain and finances was based on their previous experiences.

The objectives of this research were

- i. To determine the factors influencing late payment to suppliers in the Eastern Cape

Province.

- ii. To analyze the effect of outstanding payments on suppliers' financial performance in the Eastern Cape.
- iii. To reveal the findings of the late payment from suppliers in the Eastern Cape.
- iv. To determine the relationship between late payment and outstanding payment to supplier

The findings revealed that most of the respondents matured between 31-and 40 years, and both sexual orientations were similarly addressed in the examples. Most of the respondents, precisely 31.9% (N=61), have less than 6 years of experience. Hence, the respondents could be viewed as less-experienced workers, indicating that most respondents do not have much experience in the department, which influences late payments to the department.

### 5.1.1 To determine the factors influencing late payment to suppliers in the Eastern Cape Province.

The following were factors that had all the earmarks of being an issue and when tackled, could add to a more prominent effect of the late payment: The National Treasury issued Treasury Instruction Note Number 34, requiring divisions to submit 30-day exception reports to the relevant treasuries by the seventh day of each month, with information from the previous month, in order to make sure that service providers were paid in advance and within the agreed-upon time frame.

### 5.1.2 To determine the effect of late payment on supplier performance.

According to the study, the leading cause of poor service delivery in the supply chain and financial management sections was a lack of public officials' skills, knowledge, and capacities in interpreting policies, rules, and regulations. Late payment was considered a problem for service providers since inefficient internal processes and a lack of automation were the main roadblocks to payment efficiency. Liquidity interruptions disrupt the movement of materials throughout the supply chain.

### 5.1.3 To analyze the effect of outstanding payments on the financial performance of suppliers in the Eastern Cape

Service providers doing business with government departments, especially smaller businesses, do not provide the required information on tax certificates and bank details. This must first be considered before a payment can be made. The service providers do not communicate changes to the bank details as required. Due to late payments to suppliers, service providers can often go into liquidation, especially for small micro and medium-sized enterprises (SMMEs). Late payment of invoices has a significant negative impact on suppliers' financial health, forcing them to borrow money to stay afloat and meet their contractual responsibilities to government agencies.

### 5.1.4 To determine the relationship between late payment and outstanding payment to supplier

Some limitations were identified. For example, the effectiveness of late payment to suppliers was researched by determining to what extent some of the objectives of the late payment to suppliers have been attained. The following were identified as the causes for late payment or outstanding payment of invoices: 1) suspension due to national lockdown; 2) incorrectly submitted, misplaced or unrecorded invoices; 3) insufficient budgets; 4) insufficient internal capacity; 5) poor internal controls; 6) late approval of invoices.

## 5.2 Conclusion

Any commodities or services bought were billed before payment to the service provider, following the National Treasury regulations and ministry requirements. There were delays due to inadequate documentation in the certification of invoices, missing signatures, and incomplete receipts that do not match the invoices presented by the suppliers, given the number of orders handled and the time and distance required to complete the accounting documentation. Due to price differences between the order and the invoice, inadequate funds were available to process the payment. The process of obtaining additional funds takes time and adds to the delays. Whistleblowing should be encouraged in the public sector, and service providers and communities should report



all forms of supply chain management misconduct. It is also proposed that public authorities and service providers effectively and efficiently utilize the limited resources available to the public sector. The objectives of this study have been distinguished, and the discoveries of the information gathered examined. Precautionary steps or reasonable actions to consider late payment have been taken to reduce stress among service providers and public officials to improve job satisfaction and the ability to cope with everyday stressors in the department. In the current department work environment, when the size of the late payment was significant due to the high number of unpaid invoices, and invoices submitted with missing information, the relevant officials should be informed to avoid such unnecessary workload or late payment.

### 5.3 Recommendations

This study provides recommendations to the service providers, government employees working in Supply chain management, and the financial management section affected by late payment.

- i. Service providers must submit invoices based entirely on electronic data interchange.
- ii. Supply chain management and financial management workers must ensure that service providers send accurate invoice data the first time.
- iii. An invoice tracking system must be developed and implemented to identify possible delays in processing payments to suppliers.
- iv. Redesigning and integrating departmental Procurement and Finance training courses across disciplines to ensure strong SCM principles are implemented.
- v. Officials' lack of monitoring and evaluation of all tendering contracts was another problem affecting service delivery. The service providers do not conclude their contracts knowing that no one will come and monitor their work. To improve the service provision in DEDEAT, monitoring and evaluation from the beginning to the end of the contract should always be in the foreground.

### 5.4 Recommendation for future studies

Public personnel should consistently assent to the acts, plans, rules, and guidelines in their daily supply chain management and financial management actions. Government employees should

comprehend the acts, procedures, regulations, and guidelines that govern supply chain management and financial management. The failure of public authorities to comprehend acts, approaches, rules, and guidelines may result in inadequate service delivery indefinitely. Supply chain and financial management employees should be trained to designate service providers and the laws, guidelines, policies, and statutes governing supply chain and financial management. Employees in the public sector should also be equipped to interpret the Act, plans, regulations, and guidelines that regulate supply chain and finance. Educating and preparing supply chain and finance government employees should always be relevant to their jobs.

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28 July 2021

Department of Economic Development,



Environmental Affairs and Tourism

Hockley

King Williams Town

5200

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**Request for Permission to Conduct Research**

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Dear HOD

My name is Phindiwe Madlavu, a Master of Accounting (Management Accounting) student at the Durban University of Technology. My student number is **21959570**. The research I wish to conduct for my master's dissertation involves *the effect of late payments on suppliers' financial performance: A case study of a government department's supply chain in the Eastern Cape*.

I am hereby seeking your consent to conduct this research with your staff so that I can achieve one of my personal development goals as well as assistance in furthering my career objectives.

I have provided you with a copy of my proposal, which includes copies of the data collection tools and consent and/ or assent forms to be used in the research process and a copy of the approval letter I received from the Institutional Research Ethics Committee (IREC).

If you require any further information, please do not hesitate to contact me via cell phone at 0786505695 and email address 21959570@dut4life.ac.za. Thank you for your time and consideration in this matter.

Yours sincerely,

Phindiwe Madlavu

Durban University of Technology

**QUESTIONNAIRE**

**TOPIC:** The effect of late payments on suppliers' financial performance: A case study of a government department's supply chain in the Eastern Cape.

## **SECTION A**

### **BIOGRAPHIC INFORMATION**

#### **1. Job Designation**

- Accounting Clerk
- Administration Clerk
- State Accountant
- Assistant Director
- Director
- Senior Director

#### **2. Employment Experience**

- 0 to 5 years
- 6 to 10 years
- 11 to 15 years
- 16 to 20 years
- > 21 years

#### **3. Age Group**

- 20 years or below
- 21 to 30 years
- 31 to 40 years
- older than 40 years

#### **4. Marital Status**

- Single

- Married
- Divorced
- Widowed

**5. Highest level of qualification**

- Grade 12
- Diploma/ Bachelor's Degree
- Honours Degree/ Btech
- Masters
- Doctorate

**6. Firm scale**

- Small
- Medium
- Large

**7. Existence of environmental costs**

- Yes
- No

**8. Investments in environmental activities**

- Yes
- No

**SECTION B: System**

**INSTRUCTIONS TO RESPONDENTS:**

**1. Please select ONLY ONE response with a tick ✓ for each Likert Scale statement below.**

**2. Answer ALL the pre-coded statements in this section.**

**3. Please DO NOT leave any statement blank.**

Please select the appropriate system that is used when processing payments in your business or department

Basic accounting system

Logis system

Pastel Accounting

Sage

Persal

**SECTION C: about late payment to DEDEAT**

**INSTRUCTIONS TO RESPONDENTS:**

**1. Please select ONLY ONE response with a tick ✓ for each Likert Scale statement below.**

**2. Answer ALL the pre-coded statements in this section.**

**3. Please DO NOT leave any statement blank.**

**KEY: SD = Strongly Disagree (1); D = Disagree (2); N = Neutral (3); A = Agree (4); SA = Strongly Agree (5)**

	<b>About Late payment to DEDEAT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
18.	If a payment date passes and suppliers are not paid, suppliers have the right to pursue the late payment.					
19.	The department's processes of paying suppliers are followed by staff.					

20.	DEDEAT staffs are well trained to use systems (basic accounting system, logis system, persal system)					
21.	The department receives invoices before the cut-off date.					
22.	The systems (basic accounting system, logis system, persal system) operate well during payment days.					
23.	DEDEAT is complying with the Provincial Treasury regulations.					
24.	DEDEAT is planning quality improvement for late payments.					
25.	The department informs suppliers regarding late payments by sending emails/ letters and calling suppliers in advance.					
26.	DEDEAT comply fully with the Provincial Treasury regulations.					
27.	DEDEAT have controls over the late payment of suppliers.					
28.	The department does liaise with service providers when DEDEAT have a problem.					
29.	The department is happy with the services rendered by Suppliers.					
30.	Department pays bank chargers for suppliers when suppliers get their payment late.					
31.	DEDEAT Includes all necessary details on their payment terms while maintaining clarity and readability.					
32.	DEDEAT pays suppliers on time to maintain good customer relations.					

33.	DEDEAT apologizes to suppliers regarding late payment; the message should include details about the invoice in question, including the tracking number, amount due, and the date it was due.					
	When the payment processes are delayed, DEDEAT informs suppliers.					
34.	DEDEAT comply with Treasury regulations “pay invoice within 30 days.”					
35.	DEDEAT inform suppliers before the payment date when the suppliers send incorrect invoices.					

**SECTION D: about late payments to suppliers**

**INSTRUCTIONS TO RESPONDENTS:**

**1. Please select ONLY ONE response with a tick ✓ for each Likert Scale statement below.**

**2. Answer ALL the pre-coded statements in this section.**

**3. Please DO NOT leave any statement blank.**

**KEY: SD = Strongly Disagree (1); D = Disagree (2); N = Neutral (3); A = Agree (4); SA = Strongly Agree (5)**

	<b>Late payments to Suppliers</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
14.	Suppliers Include all necessary details on their invoices while maintaining clarity and readability.					
15.	Are suppliers following the billing terms to maintain good customer relations?					

16.	Suppliers send remaindering messages that include details about the invoice in question, including the tracking number, amount due, and the date it was due.					
17.	Suppliers receive emails from DEDEAT when the payment processes are delayed.					
18.	Suppliers do follow up when sending invoices via emails.					
19.	Suppliers send invoices to the specific individual or office responsible for receiving invoices.					
20.	Suppliers send invoices to DEDEAT via emails, postal, and hand-deliver.					
21.	When they get their payment late, suppliers charge interest and be unprofessional to DEDEAT staff.					
22.	Late payments affect businesses; some businesses close down, become bankrupt and retrench staff.					
23.	Late payments affect the supplier's staff; some staff get stressed.					
24.	Only one official is responsible for sending invoices to DEDET.					
25.	Suppliers provide services like accommodation, air tickets, car hire and goods and services to DEDEAT.					
26.	Suppliers remind DEDEAT of services rendered by sending emails or by phone calls					

Thank you so much for your time. It is much appreciated. I assure you once again that your responses are completely anonymous and confidential. Would you like me to send you a typed

copy of the questionnaire so that you can check the accuracy of the responses I have ascribed to you?