



# **FACULTY OF COMMERCE**

## **DEPARTMENT OF ACCOUNTING**

**An investigation into the effects of the pricing system on financial performance in Public Sector entities. A case study of the Judicial Service Commission.**

**BY**

**JACKFORD MADZIVIRE**

**Student Number : R113149A**

**This Dissertation is submitted in partial fulfillment of the requirements of the Bachelor of Commerce Accounting (Honours) Degree.**

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**APPROVAL FORM**

The Undersigned certify that they have supervised the student, Jackford Madzivire’s dissertation entitled “*An investigation into the effects of the pricing policy on financial performance of public sector entities. A case study of the Judicial Service Commission*” submitted in partial fulfilment of the requirements of the Bachelor of Commerce (Honours) Degree in Accounting at the Midlands State University.

.....

SUPERVISOR

.....

DATE

.....

CHAIRPERSON

.....

DATE

.....

EXTERNAL EXAMINER

.....

DATE

**RELEASE FORM**

NAME OF STUDENT : Jackford Madzivire

DISSERTATION TITLE : An investigation into the pricing system on financial performance in public sector entities. A case study of the Judicial Service Commission

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**DECLARATION**

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Permanent Address : 24649 Unit N Seke South  
Chitungwiza

Contact Number : 0772 553 547

.....

Signature

.....

Date

## **ABSTRACT**

For the period 2011 to 2013, the Commission has been poorly performing financially. The expenditure has always been more than the revenue. The poor performance has been seen to be as a result of the pricing system adopted by the Commission. This research focused on an investigation into the effects of pricing system on financial performance in public sector entities, taking a case study of the Judicial Service Commission. The study made use of the descriptive research design, where interviews were conducted and self administered questionnaires were distributed as the main data collection methods. Related historic literature was also incorporated so as to make references and also guide the investigation. Four interviews were conducted out of a target of six, with members of staff of the Commission, and also twenty questionnaires were distributed, obtaining a response of fifteen. Data obtained were both qualitative and quantitative, hence was presented and analysed using charts, tables and graphs. The study indicated through the findings that the Commission has powers to set prices for its services. Irrespective of this, the JSC goes without a pricing policy guide, and this has resulted in prices being far below the marginal cost of offering the service. The pricing system currently used fall outside the commonly known pricing systems in the public sector. The Commission also does not have a review procedure manual, neither does it exercise price reviews unless there are extenuating circumstances that forces it to do so, like currency changes or inflation. This has caused the Commission to use prices that were pegged more five years. This in itself led to poor financial performance for the Commission throughout the period under review, 2011 to 2013. Major recommendations were that the Commission urgently need to craft a pricing procedure manual that do not permit setting of price structures that falls below the marginal cost. The pricing procedure manual also has to address the review exercise and the period within which the exercise has to be undertaken.

The JSC also should adopt the commonly, tried and tested pricing strategies, for which the break even pricing or the marginal cost pricing strategies are recommended.

### **LIST OF ACRONYMS**

MSU	Midlands State University
JSC	Judicial Service Commission
PFMA	Public Finance Management Act
RF	Retention Fund
SI	Statutory Instrument
MC	Marginal Cost
MR	Marginal Revenue
AC	Average Cost
AR	Average Revenue
MB	Marginal Benefit
UK	United Kingdom

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## CHAPTER ONE

### INTRODUCTION TO THE RESEARCH STUDY

#### 1.0 Introduction

According to Egwakhude (2012), the financial performance of an entity is dependent on the pricing policy of the entity as the policy defines and projects the capacity of the entity to meet its obligations (expenses) when they fall due. The objective of this chapter is to give a vivid background of the problem under study, the statement of the problem, the objectives of the study, the research questions, delimitations of the study, and the limitations the researcher encountered in carrying out this research.

#### 1.1 Background of the study

According to Egwakhude (2012), public sector entities need to come up with a pricing policy that is capable of addressing the financial objectives of the entity. The pricing policy should be able to come up with appropriate prices that will enable the entity to at least cover for costs of providing services to the public. This was supported by the Chief Accountant of the High Court of Zimbabwe during a Heads Meeting held on 16 August 2013 that the prices that the JSC are charging are far below the costs being incurred in providing the service to the public. In the minutes of the same meeting, the Master of High Court emphasised making a submission to the Commission regarding the irrelevance of the prices being charged. This position was supported by the Finance Manager in his 2013 Annual Financial Report presented to the Board of Commissioners on 31 December 2013 that the pricing system being used by the JSC needs urgent revision as it results in imbalances between revenue and expenses since 2011 to 2013. Casier et al (2009) explained factors that need to be taken into account so as to come up with a good pricing system as market structure, the nature of the economy and its horizontal and vertical linkages for specific commodities or services. This seems to run parallel with the pricing system used in the JSC. According to the SI 50 of 2009, the following are the prices being charged by the JSC for various services.

*Table 1.1 Schedule of prices*

Revenue Item	Price
Summons	\$5.00
Writ of Execution	\$5.00
Remarriage fees	\$5.00
Notice of Set Down	\$5.00
Notice of Appeal	\$5.00
Notice of leave of Appeal	\$5.00
Trial Application	\$2.00
Default Judgement	\$2.00
Court Order	\$1.00
Edict fees	\$30.00
Master' Fees	4%
Estate Duty	5%

*Adopted from the Statutory Instrument 50 of 2009*

According to the Audit and Exchequer Act (22:03), it is the responsibility of the JSC to set prices on the services it provides to the public. Since the coming in of the multi currency system, the prices were set out in 2009 under the SI 50 of 2009. This is the instrument in force up to today. The S.I is silent regarding the review of the prices. Between the periods 2011 to 2013, the revenue collected had never been able to cover the expenditure incurred. According to the *Conceptual Framework Taskforce* (2012), the financial performance of a public sector entity is measured by the extent to which revenues of the period are sufficient enough to cover the costs (expenses) of services provided in that period. The New South Wales Treasury (2010) explains a pricing system for efficient financial performance as a system that strengthen linkages between planning, funding, monitoring and reporting elements of performance management cycle. This means aligning the expenditure budgets and service plans with entity priorities and targets, quantifying service costs and performance indicators so as to strike a balance between costs and revenue. The prices that the JSC has been using for the past four years seem to lack this characteristic.

Below is a schedule of prices charged by various countries for various services.

**Table1.2 Schedule of prices for various countries.**

Revenue Item	Zimbabwe (JSC)	UK	Canada	Australia
Summons	\$5.00	\$60.00	\$69.00	\$50.00
Writ of Execution	\$5.00	\$90.00	\$100.00	\$55.00
Remarriage fees	\$5.00	\$150.00	\$157.00	\$265.00
Notice of Set Down	\$5.00	\$150.00	\$200.00	\$160.00
Notice of Appeal	\$5.00	\$180.00	\$250.00	\$104.00
Notice of leave of Appeal	\$5.00	\$180.00	\$250.00	\$104.00
Trial Application	\$2.00	\$150.00	\$157.00	\$105.00
Default Judgement	\$2.00	\$75.00	\$50.00	\$105.00
Court Order	\$1.00	\$70.00	\$60.00	\$45.00
Edict fees	\$30.00	\$90.00	\$100.00	\$65.00

*Extracted from: S.I 50 of 2009, [www.fedcourt.gov.au/court-fees](http://www.fedcourt.gov.au/court-fees), [www.ontariocourtforms.on.ca](http://www.ontariocourtforms.on.ca), [www.mncourts.gov/?page=1020](http://www.mncourts.gov/?page=1020).*

*Currencies were converted using the prevailing rate to US Dollar for comparison purposes.*

The prices being charged in exchange for services portray the existence of a problem in the pricing system employed by the JSC. Taking a comparative look with other countries, it shows that the prices in their totality lags way far less than any prices being charged by any other country as shown above.

## **1.2 Statement of the problem**

The financial performance of the JSC for the past four years under review has always been inefficient. Revenue being collected never matched expenditure incurred in any single year.

The revenue has been increasing at a decreasing rate while expenditure has been increasing at an increasing rate. The prices being charged are too low resulting in a meagre amount of revenue against ever increasing costs. These prices indicate the existence of a problem in the pricing system in use by the JSC. The Conceptual Framework Taskforce (2012) explains that cost recovery should always be a priority at policy level. Though this can be true for many entities, it seems not to be the case in the JSC.

### **1.3 Research Objectives**

The research study seeks to address the following objectives:

- ✚ To analyse pricing techniques that are used by public sector entities and their relevance to the JSC.
- ✚ To assess the implementation and administration procedures of an efficient pricing policy
- ✚ To analyse the impact of a pricing system on access to justice by the public.
- ✚ To establish how often the pricing policy is reviewed and how the review exercise is carried out.
- ✚ To establish the best practice on the pricing policy.

### **1.4 Research Question**

In order to address the research study, the following question has to be asked:

- ✚ What pricing policy is used by the JSC when charging its services to the public and to what extent does the policy affect the financial performance of the Commission?

#### **1.4.1 Sub research questions**

The main research question will need to be disintegrated to obtain full coverage into sub-research questions;

- ✚ What pricing techniques are used by public sector entities and to what extent are they relevance to the JSC?
- ✚ How is the pricing policy implemented and administered?
- ✚ What impact does the pricing system have on access to justice by the public?
- ✚ How often is the pricing policy reviewed and how is the review exercise carried out?



- ✚ What is the best practice regarding pricing policy?

## **1.5 Justification of the study**

### **1.5.1 To the University**

The research is expected to add more knowledge and value into the University's knowledge bank and will serve as a research reference by other students.

### **1.5.2 To the J.S.C**

The research is carried out at such a time when the revenue of the JSC is on the continuously falling. Conclusions to be arrived at and recommendations to be drawn are expected to rejuvenate future revenue prospects of the JSC. Also, the research is expected to open up new lines thinking and new ways of seeing things in the JSC as it bring up new ideas and more knowledge.

### **1.5.3 To the researcher**

The study is carried out as a requirement for completion of the Bachelor of Commerce Honours Degree in Accounting. This study is expected to add more research skills to the researcher hence value addition.

## **1.6 Delimitation of the study**

The study focuses only on the pricing techniques used by the JSC on its services and the impact of these techniques on the overall financial performance of the Commission. It does not discuss however other administrative issues that may have a direct or indirect impact on the pricing policy and the overall financial performance of the JSC. Regarding the data collection, the study focuses only on those people directly involved in the management and policy implementation in the Commission. External stakeholders of the JSC like politicians do not form part of the target interviewees. The study also seeks to gather information from Harare only as all section heads are located in Harare. Provincial offices do not form part of target source of information. Also, the research seeks to review the period 2011 to 2013.

## **1.7 Limitation of the study**

- ✚ The main limitation faced by the researcher was confidentiality of information. Interviewees were not free to open up on most issues. However, the researcher discussed with management the importance of the research to the organisation, both now and in future. A green light from management was then awarded.

- ✚ Since the researcher is also an employee of the JSC and has vast responsibilities to deliver, time allocated to carry out the research was not sufficient considering the busy schedule of the researcher. However, I decided to work almost round the clock so as to strike a balance between the two.
- ✚ Financial constraints were another limitation encountered so as to come up with a detailed piece of work. The researcher had to make good use of the available resources to meet the research requirements.
- ✚ Some respondents took time to avail their feedback. This was however overcome by persistent follow ups.

### 1.8 Assumption of the study

The study assumes that all the information contained in this project as gathered is true and honest. It also further assumes that it is acceptable as a public policy for the Commission to have some cost recovery modalities on setting out its pricing strategy.

### 1.9 Definition of terms

- ✚ **Pricing** -refers to the process of determining the price at which a product or service can be sold to the consumer.
- ✚ **Cost driver**- is an activity that gives rise costs
- ✚ **Direct Costs**- these are costs that can be directly traced to a particular product or service.
- ✚ **Policy**- refers to guidelines and procedures that are followed in order to achieve a certain objective.
- ✚ **Revenue** -the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an entity (such as sales of goods, sales of services, interests, royalties and dividends)

### 1.10 Conclusion

This chapter introduced what the researcher seeks to achieve through the introduction, objectives, background of the study and the statement of the problem. It went on to outline the research question, limitations faced, delimitations, assumptions of the study and definition of some terms.

## CHAPTER TWO

### LITERATURE REVIEW

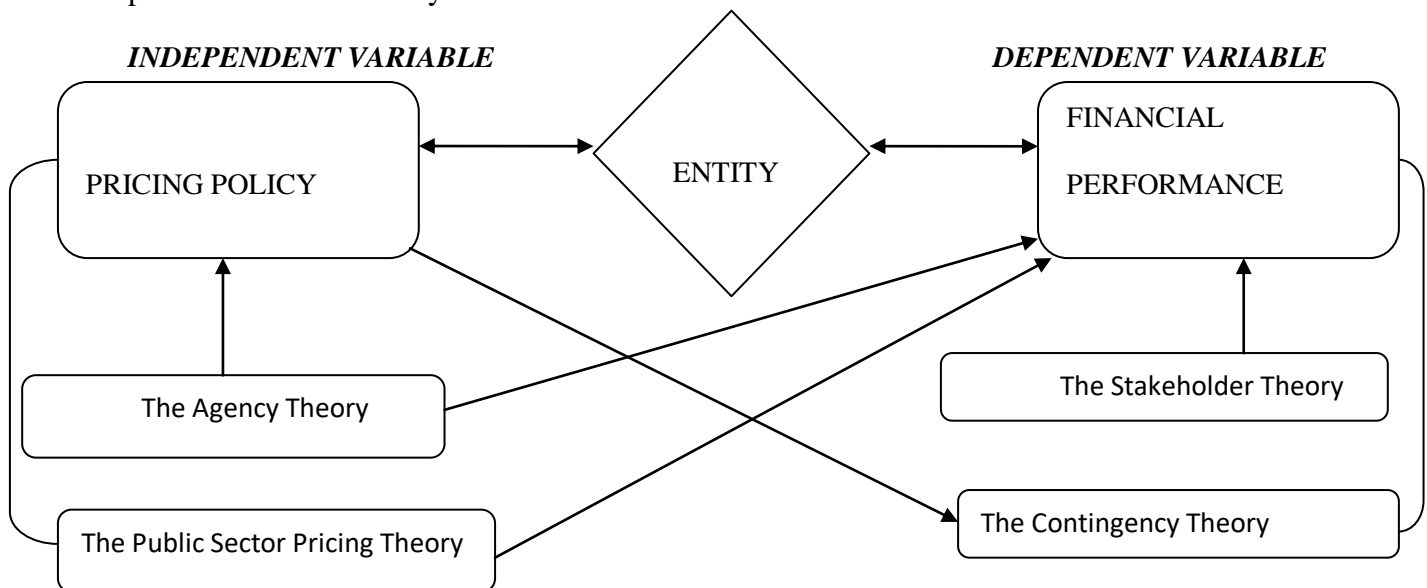
#### 2.0 Introduction

This chapter provides a review of the existing literature on the pricing models and their effects on financial performance of an entity. The review of related literature is carried out in order to get a detailed insight into the problem area from the existing knowledge bank. The chapter covers literature that is already in the public domain which is relevant to the area under study. It focuses mainly on the effects of the pricing policy on the financial performance of public sector entity.

#### 2.1.0 Theoretical Framework

Various scholars have tried to look into the pricing of services by public enterprises and how they affect the financial performance of the enterprise; and attempts to address the issue have been taken note of. Carricano et al (2010) explains the pricing system as a variable that is dependent on numerous conditions that includes perceived value of the product, product development costs, economic trends, level of demand, and the demographics of the target market. Carricano et al (2010) went on to say that the economic theory prescribes a complex set of efficient pricing systems that range from zero through short run marginal cost system to full costing system and other intermediary pricing systems.

Below is a structural theoretical framework for the pricing policy and the financial performance of an entity.



*The Theoretical Framework for Pricing Policy and the Entity's Financial Performance*

As noted by Carricano et al (2010), there are numerous theories that best explain the pricing strategies entities can follow; and also those that explains the entity's financial performance.

In his study, Hinterhuber (2013) explained the pricing of services as a management decision process that, in essence, includes knowledge of all costs involved in offering that particular service (financial factors); and other non financial factors that includes the ability of the population to pay for the service, perceived benefit to the public, among others. This assertion by Hinterhuber (2013) was coming in agreement to Avlonitis and Indounas (2009), who noted and added that it is a system that provides pricing information to managers of the enterprises about the costs involved in order to offer a given service to the public. Marcos (2014) added also to this by further giving an explanation of a cost as an expression of value which is used to denominate how much a good or service is worthy. This then implies that services to the public should be priced consistent to their value. Marcos (2014), in expressing this, was also supported by Ingenbleek (2014), who expressed that the price to be charged on court services is supposed to be determined by the value of the claim or case.

### **2.1.1 The Agency Theory**

Various theories have been propounded by several theorists to try and explain the pricing policy of an entity and its effects on the financial performance of the enterprises. The first theorist to discuss how pricing policies are designed was Mitnick (1972) in their Agency theory. They explained that the theory is anchored on the assumption that one person, (called the agent) is expected to act on behalf of another (called the principal), with the former advancing the interests of the latter. This is a relationship between the principal and the agent, whereby conflicts of interests exist between the two; where the agent seeks to promote its interests over those of the principal, and the principal is not in a position to examine the actions of the agent. The theory was later supported by Mustapha and Ahmad (2011), who indicated that the theory is there to resolve two issues; the agency problem that arise when there is a conflict between the desires of the principal and those of the agent, and the risk sharing that arises when the two parties have different perception to risk.

Abbasi (2009) viewed the same theory as a model that can be summarised by three variables; the agent's total contribution to firm value, the actions taken by the agent to produce output, and events in the production process that are beyond his control. In his publication, Abbasi (2009) brought up a thought that government entities act as agents of the central government, which is in this case, the principal. In as much as the theory is celebrated by a lot of scholars, Mustapha and Ahmad (2011) went on to say that the theory lacks the crucial practical fabric in today's organisations. Not all agents are at divergent with their principals, and indeed most agents strive to enhance the shareholders' wealth. They also went on to say that pricing policies designed by most agents are those that seek to enhance the best organisational financial efficiency.

The research agrees with the above authors in their views, however, the theory seems to be stronger on one side, the agent side. The agent seem to try and craft policies that best fits its

desires; but can't the principal give meaningless directives to the agent that tries to best fit the interests of the principal at the detriment of the entity and the agent? The theory also seems to apply well in the private sector. The research focuses on aspects that affects or explains pricing policies and their effects on the financial performance of public sector entities.

### **2.1.2 Public Sector Pricing Theory**

Another theorist, Akiva (2008) came up with a theory, the Public Sector Pricing theory. The theory is based on the social marginal cost principle, where the price should be set to maximise welfare; for which welfare is total social benefit (B) *less* total social costs (C). Akiva presented his theory mathematically as follows:

The entity should aim to set prices that maximises  $(B(Q) - C(Q))$ ; or else the least price should be set so that  $MB(Q) = MC(Q)$ ; where,

- B- Social benefit
- C- Social cost
- Q- Quantity of service
- M- Marginal

The theory argues that price should never be set below marginal cost since pricing is the best means of allocating resources. The theory again, though it was carried out in Australia, it seems to be applicable to the Zimbabwean context, however, taking the local set up, it may be a bit difficult to come up with the correct marginal values for services offered. Also, as argued by Ingenbleek (2013), the theory seems to be strong on quantitative data, and overlooks qualitative information that affects the pricing policies and the financial performance.

### **2.1.3 The Stakeholder Theory**

The Stakeholder theory according to Akisik (2011) ushered in the idea of creation of value as much as possible for the stakeholders. It explains the morals and values that need to be set first in managing an entity for the benefit of stakeholders. The theory was later supported by Sarikaya (2011) who noted that entities with good moral values exemplified through social responsibility tend to perform well in their financial performance. However, Raposo et al (2011) criticised the theory as lacking enough detail of what constitutes efficient financial performance, and it also contains conflicting details regarding financial performance and the influence of the management policies (including the pricing policy). The researcher views the theory as partly applicable to the context in question; however, it appears that the theory works well in an environment where there are identifiable shareholders. Though the general

populace may constitute the stakeholders, however they may have a direct influence to the activities of the entity, especially in developing countries.

#### **2.1.4 The Contingency Theory**

The last theory is the Contingency theory by Galbraith (1973). The theory, according to Galbraith (1973) takes the view that there is no perfect formula, no best way and no particular theorem that can be followed in running organisations. It assumes that the running of entities is dependent on prevailing circumstances and environment. It also went on to say that policies are influenced by internal and external forces that are unique to each entity in its own environment. This notion was also supported by Waters (2013), and Smith (2012). The theory was however criticised by Hughes (2012) who indicated that the theory lacks momentum and thus is static. He also indicated that the theory is obsolete. This was also in support of Molina (2009) regarding the same theory, who indicated that the theory, as explained by the theorist, indicates that firms that are in best fit have higher financial performance than those in weak fit. However, it fails to fully substantiate what a “best fit” and “weak fit” are, and thus it is not practical. Though the theory seems to have fallen out of favour with other scholars, the researcher views it as applicable currently to a greater extent in the Commission as there seem to lack any proper formula when setting prices. Also, the researcher views, among all the outlined theories, the Public sector pricing theory as the most applicable and relevant theory, building it from the Contingency theory.

Chen (2011), in explaining the importance of a pricing strategy to an entity indicated that this provides fundamental accounting as it produces key information that helps in evaluating the entity’s performance, feeding into a variety of other accounting practices, like budgeting and performance measurement. It is thus the basis for the definition of the organisational survival. In the same bracket as the above authors, the researcher views a pricing strategy as a key pointer towards the performance of an entity. The financial performance of an entity is thus dependent on the strength of the pricing policy employed by the directorate. Depending on the objectives of the entity, there are various pricing strategies that are employed by public sector entities in attaching value to the service they provide. He (Chen 2011) indicated that there are three basic pricing strategies public enterprises use for pricing their services; and these are no-profit-no-loss pricing policy, marginal cost pricing policy and Profit pricing policy. This research seeks to investigate various pricing methods available for public entities.

#### **2.2.0 Pricing Techniques in the Public Sector Entities and their relevance to the JSC**

As indicated by various scholars, there are several pricing techniques that public sector entities can make use of. According to Dunstan et al (2013), in coming up with a price to charge, the entity should design its charging system so as to maximise welfare of the

consumers. This was supported by Sufian et al (2013), who then added to this and say that the entity should also be guided by three principles; authority, efficiency, and accountability.

### **2.2.1 No-Profit-No-Loss Pricing Policy**

This involves a pricing strategy that results in a no loss and no profit (break even) situation. According to Egwakhide (2012), the policy seeks to cover for break even costs of offering the service. Nikala (2010) added to what the above author noted and said that the strategy involves setting of prices at a point that covers all the costs of providing that particular service. The same idea was also supported by Dunstan et al (2013), who added again that the intention of this policy is to gain market share and drive competitors out of picture. The strategy is applied where volumes matter; and this will result in the entity getting profits from what used to be the break-even price. Dunstan et al (2013) also went on and indicated the strengths of the strategy and said that it helps the firm in identifying the level at which prices should never fall below before it starts incurring losses. It also helps the entity to remain successful and future projections can easily be done. Dunstan et al (2013) also went on to say that the policy is simple to apply with less training necessary, with a short implementation time span, thereby giving results in the shortest time possible.

Regardless of the merits, Nikala (2010) argues that the strategy is too theoretical as it assumes that all products or services are sold. Also, he added that the policy is a simplification of the real world. The researcher views this strategy as a relevant policy that can be made use of in the public sector since it does not lead to profits, neither losses. However, appreciating the merits and demerits as shown by the above authors, the researcher has some reservations regarding its applicability in the area under study. The theory seems to fit well in the private sector where firms compete for market share.

### **2.2.2 Full Cost Pricing Strategy**

This is a pricing technique that takes into account all costs that are involved in the process of providing a service to the public. Casier et al (2009) explains a full cost pricing system as a system that attaches to each service all costs of the business including production and delivery costs, marketing, finance and administration. This strategy takes into account both direct and indirect costs, variable and semi fixed and fixed costs. A portion of fixed costs is allocated to each service together with its variable costs. The goods or services will then have to be priced at a charge that facilitates the recovery of all costs incurred in the process of providing that service.

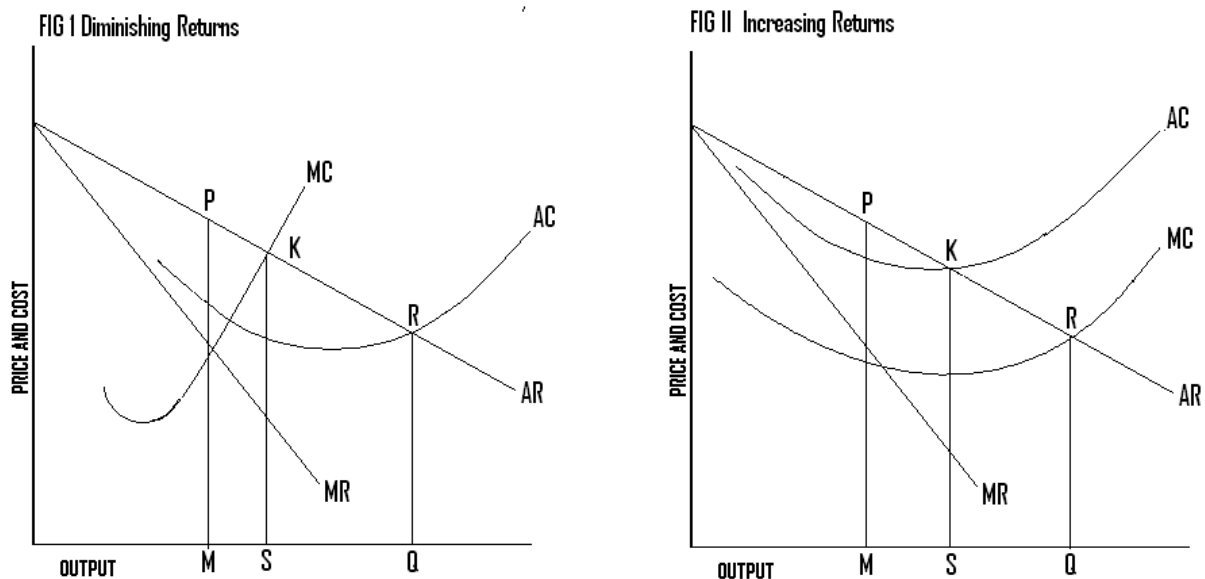
According to Casier et al (2009), indirect costs are costs that cannot be easily traced to a particular cost object in an economically feasible manner. These costs are allocated to services using pre determined absorption basis. This was also supported by Jacob et al (2009) who also added to this by saying that these bases should reflect the best manner in which the underlying resources are consumed. If the base fails to satisfy this criterion, the

whole costing system will result in a distorted pricing mechanism that will be cost allocative inefficient. Jacob et al (2009) noted also that by using the full cost pricing system, all costs of providing the service to the public will be recovered. It also promotes financial efficiency through matching of cost of providing a service and revenue generated from the service. The system also makes assessment of an entity's performance much easier. Villarmois (2011) also added that the method ensures that correct profits consistent with the entity's objectives will be determined and realised. He also went on to say that it avoids separation of costs into fixed and variable, an exercise that may not be easy. Casier et al (2009) however had reservations on the system in that it does not suit public sector firms as it tends to contradict other objectives that include affordability of services to make them accessible to every citizen. Robson (2010) added also to what Casier et al (2009) indicated and said that the system is not useful for decision making as it considers fixed costs as product costs. He also went to say that the system is not helpful in any way in controlling costs. Robson (2010) also added that assessing section heads by using this method is not possible as they are not able to control fixed costs. The researcher views the policy as less useful considering the delimitation outline. The main thrust of the research falls on policies that best fit the Zimbabwean public sector pricing system.

### 2.2.3 Marginal Cost Pricing Method

According to Egwakhide (2012), one of the aims of a public sector firm is to maximise social welfare or to be economically efficient. How then should their pricing strategy be so as to be economically efficient? Egwakhide (2012) explains that due to the fact that the enterprise is in most cases a monopoly or semi-monopoly, its average revenue (AR) and marginal revenue (MR) curves slopes downwards. This implies that, the price, which is the average revenue (AR), should always be higher than the marginal cost (MC).

This is shown by the below curves:



Adopted from Egwakhide (2012) in (*Economics by Anderton, 1993*)

According to Egwakhide (2012), the entity should always strive to operate where AR is equal to or higher than AC.



### **2.2.3.1 The Marginal Cost Concept of Pricing**

The ideas raised by Egwakhide (2012) were also supported by Terzungwe (2012), who indicated that when a public entity follows the marginal cost concept, services are sold to the public where marginal cost (MC) equals marginal revenue (MR). At this point, AR will be way above AC, resulting in the entity making reasonable surpluses regardless of whether it is operating under diminishing returns, that is, increasing costs; or under increasing returns (decreasing costs) as shown above. Using this point, Terzungwe (2012) explains, will result in the entity realising economic efficiency and maximising social welfare.

Sihag (2009), in explaining this method indicated that an enterprise selling its services using this method should always price the services where average revenue equals marginal cost. Egwakhide (2012) also supported the idea raised by Sihag (2009) and went on to add that this pricing method achieves optimal resources allocation and economic efficiency through the production of services at optimal size as shown in figure (ii) above. Sihag (2009) also argues that a public entity using this method will certainly make a profit through optimal output under the decreasing returns or increasing costs. Both authors agree on the fact that services should be priced using the marginal cost pricing method for efficient resource allocation, however, both did not account for the another hand influencing pricing, which is politics. The strategy, though it sounds too theoretical, seem to align well with the study.

### **2.2.3.2 The Average Cost Pricing Method**

This is a pricing method that falls under the marginal cost method. An entity preferring this method prices its services where average revenue (price) equals average costs. Egwakhide (2012) however said the problem with this method is that the entity will not achieve optimal output. At this point however, he argues, the public enterprise will be making no profits and no losses and this will create an artificial demand for the service resulting in an inefficient allocation of resources. The situation will be worse off if the entity decides to price its services at a point where average cost exceeds average revenue (Egwakhide, 2012). Irrespective of all this, Sihag (2009), in explaining the average cost pricing policy indicated that the calculation of marginal cost of providing a service is not an easy task. The marginal principle also fails to provide a clear and unambiguous basis of administration of costs. In the event of a loss being made, it is difficult to separate managerial inefficiency and the effects of the application of the marginal cost pricing method. The use of this method in most cases results in losses year after year. This will force the central government to supplement the entity's inflows either as grants or subsidies. This subsidisation results in diversion of country's scarce resource from other productive lines that may need attention. Rolando (2012) lambasted the policy as well by contending that the use of this method in public sector entities will never lead to an optimum position unless some restrictive conditions are met; and these include technological neutrality, absence of externalities, perfect divisibility of factors, and also that all other public sector entities to follow the same pricing technique, a situation

that will never happen in a free state. The strategy, though something can be borrowed from it, it applies well in the private sector.

#### **2.2.4 Profit Based Pricing Policy**

According to Rolando (2012), this is a pricing policy that targets a given percentage of profit over and above recovering the total cost. The policy is mainly designed to make the entity run its own financial affairs rather than burdening the tax payers by making available sufficient resources to the entity so that it runs its own expenditure and also, if need be, remit part of the surplus to the central government. The method can also be called a cost plus pricing method. As noted by Sihag (2009), this is a pricing method that is normally adopted where the entity is a price setter or a market leader. Using this method, the total cost of providing the service is calculated; and over and above this, a certain percentage is added to the cost to arrive at the selling price. Public sector entities however do not sell goods to the public but services, and as such, this method, if adopted, will enable an-above the break even situation. Sihag (2009) explains that in the long run, the prices that an entity charges for service provision must always be able to cover its costs of doing the service. If this is not achieved, then the entity will either fold arms or strain the tax payers for sustenance. Every entity should thus strive to be self sustained in the long run through its pricing strategies it employs.

According to Egwakhide (2012) in his International Journal of Business and social science, the profit based pricing policy is not the best for public enterprises since it leads to super profits due to the provision of monopoly service. If this policy is used, Egwakhide (2012) argues, competition should be allowed so as to regulate the prices by market forces. He also went on to say that if the services are part of input for production of other services or goods in the private sector, this will lead to skyrocketing of prices in the private sector (multiplier effect). Prior to Egwakhide (2012), Robson (2010) had elaborated on the same strategy as difficult to apply in the public sector since it is not easy to come up with a rate of profit that suits all public sector firms. Also, it is not possible for all public sector entities to earn a profit, some will run at a loss and subsidised by the central government. The policy, if not properly regulated will result in entities profiteering as they are offering monopoly services to the public. The benefit will only be accessible to the few elite and the majority will not afford. The researcher agrees with both authors, Robson (2010) and Egwakhide (2012) except on the issue of competition highlighted by Robson (2010) which cannot be allowed on certain services like court services.

#### **2.3.0 The Implementation and Administration Procedures of an efficient Pricing System**

According to Yan (2009), there are numerous organisations that do not take the process of implementing and administering a pricing strategy as an important issue. Corporate heads should put the concept of pricing execution on their agenda. Pricing execution according to Yan (2009) involves the development of a pricing strategy and the implementation of that

strategy, and this is reflected in the consistency and success of sales efforts and proposals. This strategy also acts as a systematic revenue enhancer.

Vlachos et al (2011) explained and added also that a pricing strategy implementation involves a gradual change in prices over a period of time for which the new prices being introduced do not differ greatly with the ones that customers are used to. He also went on to say that the entity will be gradually moving towards a target price that will be achieved over a set period of time. Vlachos et al (2011) also noted that a polynomial time algorithm to implement the new prices that reflect the objectives of the entity has to be set over a certain number of periods. The prices then will be given a factor by which it increases after a certain time in a certain market, like  $(1+\alpha)$ , where,  $\alpha > 0$ , and represents rate of increase in price. The periods referred to by Vlachos et al (2011) can either be 3 months, 6 months, or any such time as may be relevant to the market in which the entity operate. The prices thus will move from current price ( $P^1$  to  $P^2$ ) through the determined periods. This will result in anticipated revenue being achieved when prices are ultimately set at ( $P^2$ ) while users of the service do not realise or feel the effect of the change in prices.

Both authors acknowledged the importance of ascertaining how a new pricing policy can be implemented. The researcher agrees to a larger extend with the first author on the aspect of prioritising a pricing policy at management level so as to achieve the desired organisational goals. However, the researcher differs with the second author as his theory seems to apply well in the private sector, and also in well-to-do economies.

### **2.3.1 The Strategic Implementation Procedure**

According to Campbell (2010), a pricing strategy well implemented has a clearest direct impact on revenue the entity generates and reflects the value the firm offers to its customers through its products and services. Campbell (2010) puts it clear that a 1% improvement in the pricing, and correctly implemented, has an 11% boost in the entity's profits. Campbell (2010) explains steps involved in the implementation of an effective pricing strategy, and these involve the understanding of service users' persona. Users' persona represents the fictional characteristics that best explains the entity's clientele. This will help the entity get more from those prepared to pay more, and slightly less from those on the marginal line and below. The entity will not price its service haphazardly but with the type of target clients in mind. Another factor Campbell (2010) indicated was a practical survey by the entity, gathering the feelings of the clients to the value of the service being offered. The entity will have an opportunity to correctly test how the service it offers, be they public services or private, is valued by the target clients.

Thirdly, Campbell (2010) says that the entity will then put together the gathered data, analyze it and draw conclusions on the best value, based on the pricing policy, to put in place. The entity at this point will have to compare the provisional prices with costs necessary to offer the service and analyse this and project to yearend target revenue. Also, communicate value to your clients. This in one way gives assurance to the users that the entity values them in

their use of the service being offered and also that the entity is indeed transparent, effective, and intends to offer value for service. Lastly, Campbell (2010) pointed out that the entity then comes up with the best profit focused culture through both internal and external means. This comes through team work and communication of intend to the target clients. The team (internal means) should be aware of the entity's overall financial objective and how to achieve it. The customers will definitely accept the new prices as they feel being the stakeholders of the entity and also that they have power over the pricing of services. This research seeks to investigate on the best ways available in implementing an efficient and effective pricing strategy. The researcher agrees with the above author regarding the steps that are involved in implementing a pricing policy. However, ideological differences seem to appear with regards to the statistical effects of a good pricing policy on profitability. This appears not to work in the environment in which the research is carried out as there are other factors that influence price other than the internal factors.

## **2.4.0 Impact of Pricing System on Access to Justice by the Public**

### **2.4.1 Access to Justice**

According to McClelland (2009), access to justice is the centre to the rule of law and integral to the enjoyment of basic human rights in any society. Access to justice according to McClelland (2009) entails accessibility to legal assistance that is provided by the court system of any society to its inhabitants. This encompasses fairness, simple, and affordability of the whole justice system. Many cases that happen do not reach the courts for determination due to lack of knowledge of the legal route, financial predicament, or other reasons. The Columbia Law School Human Rights Clinic (2013) noted that a small fraction of the legal problems experienced by low income and poor people in the USA are addressed through the court system. Many in this bracket do not afford the legal costs to protect their rights when faced with crisis like eviction, domestic violence, and work place discrimination, among others. The researcher agrees with both McClelland (2009) and the Columbia Law School Human Rights Clinic (2013) regarding access to justice and what the legal fraternity has to address. However, the authors carried out their researches in the USA, an environment with a complete set of legal arms and perceptions different from those prevalent in the geographical delimitations covered by the research. The researcher seeks to focus on those that apply to the local environment.

According to Walsh et al (2012), so as to avoid cultural, socio-economic, geographical, and political barriers to access to the courts, the judiciary must adopt effective mechanisms and procedures capable of reducing transaction costs faced by those who need their services. Walsh et al (2012) went on to say that the design of the service pricing system in most developing countries acts as a barrier in itself, leading to the poor feeling marginalized or "divorced" from the legal framework (formal); or does not (the pricing system) reflect at all the value of the service being offered, resulting in the judiciary failing to meet its obligations that is reflected in the cases backlog report. Singh (2012) also noted that many cases that are

resolved communally or in other means without the formal courts where necessary are as a result of a mismatch between the value of the case and the cost of justice. The two (cost of justice and case value) should always be positively correlated. The researcher agrees with Singh (2012) regarding the hypothesis between cost of justice and the case value. However, the first author, Walsh et al (2012) fails to justify what constitute effective mechanisms and procedures that reduce transaction costs.

#### **2.4.2 Measuring the path to justice**

According to Van Zeeland (2009), there are numerous reasons why measuring access to justice is important. This will help the society in exposing insufficiency in access to justice. This implies that the disparity between the value of justice in the users' perception and the cost of justice as resembled by the price to be paid will explain who has the privilege to justice. Also, Van Zeeland (2009) noted that this will help evaluate performance of procedures and the legal systems. It also helps to improve transparency and accountability in the judiciary system. Van Zeeland (2009) went on to say that measurement should be done in terms of the costs, quality of the procedure, and quality of the outcome of the process. These three are called the justice key indicators. The costs of justice take the form of legal fees, court fees (judicial revenue lines) and the opportunity costs. The opportunity cost of justice is the benefit lost by the user in pursuing the path to justice.

The quality of justice according to Van Zeeland (2009) is determined by generality's perceptions regarding the procedural, restorative, interpersonal, and informational justice. Quality of the outcome is also determined by three factors; distribution, functionality, and transparency. Van Zeeland (2009) went on to say that distributive factors relates to how resources should be allocated among individuals with competing needs of the service provider, whether to satisfy the consumer or increase the directors' allowances, among others. Functionality factor refers to the client's perception regarding the usefulness of the outcome of the case. This is strengthened by the third factor, transparency factor; which explains the quality of the outcome. The researcher views the facts laid down by Van Zeeland (2009) as applicable, however, further research may be necessary to break them down and assess their perfect applicability to the geographical delimitation of the researcher.

#### **2.5.0 Pricing Policy Review Methods and Procedures**

Munro (2011) noted that services being offered to the public by government entities sometimes fall short of making any economic sense. Political expediency often prevails over economic good sense in the provision and pricing of these services. Munro (2011) also noted that this resulted in services being offered without regard to the cost of providing such services, under-recovery of costs, service delivery inefficiencies, lack of incentive to provide reasonable levels of services at lower costs, resulting in major need for asset refurbishment for which no adequate provision has been made. Munro (2011) went on and said that these

challenges gave an impetus for a pricing policy review. He also noted that the pricing review aims at improving economic efficiency of the entity including protection of consumers from unwarranted pricing methods that are at hoax with the value of the service. Pricing reviews should address three areas, which are the prevailing price levels; the structure of the prices; and the price setting processes and related institutional arrangements. Entities should move away from ad hoc pricing decisions based on political imperatives to one that fosters public confidence, transparency and accountability in the entities. (Munro, 2011)

Another scholar, Hinterhuber (2012) explains that one most crucial decision in evaluating an entity's affairs is through its pricing power. The author noted that pricing power (power to set and review own prices) is a skill that is learned. Hinterhuber (2012) also noted that a price review differs from a price change, and it involves a constant assessment of the relevance of the price structure the entity is using. Routine gathering of key indicators to a price review should be done regularly, which might be monthly, two months, or such time as may be relevant depending on market forces. The researcher agrees with first author on prices that entities charge against the value of the service provided. The effects as noted by the author are seen by the researcher as valid to the Zimbabwean situation. Regarding the second author, the researcher fails to fully agree with his viewpoint as his ideas seems to work well in the private sector, however, gathering of key indicators to a price review makes great sense.

### **2.5.1 Positive Effects of Pricing Policy Review**

Comez and Kiessling (2012) noted in their research paper that the benefits of a pricing review leads to a full control and decline in operating costs of services being offered. They also noted that giving an entity powers to review its prices leads to greater accountability and transparency as those responsible for administering will have to fully account for their actions and decisions regarding public funds. This was coming in agreement with Munro (2011), who indicated that the movement will lead to a full cost recovery as prices will be set in line with costs to be incurred. He also goes on to say that the entity will generate more revenue that is consistent with the service being offered, leading to both financial efficiency and public welfare enhancement. The researcher agrees with both authors to some extent but present reservations regarding welfare enhancement. The second author indicated setting of prices in line with costs (full costing). The researcher seeks to investigate review methods that are relevant to the local environment.

### **2.5.2 Negative Effects of Pricing Policy Review**

According Hinterhuber (2012) in his research publication, in as much as reviews are needed, they result in public entities chasing the private, leading to indirect privatisation of public entities. This implies that the entity will be charging exorbitant prices on public services that are meant to be accessible by the generality. He also noted that the review exercise is not done at zero cost; and these costs are forwarded to service users or tax payers whether the prices are finally changed or not. Misati et al (2010) also noted that policy review is not an

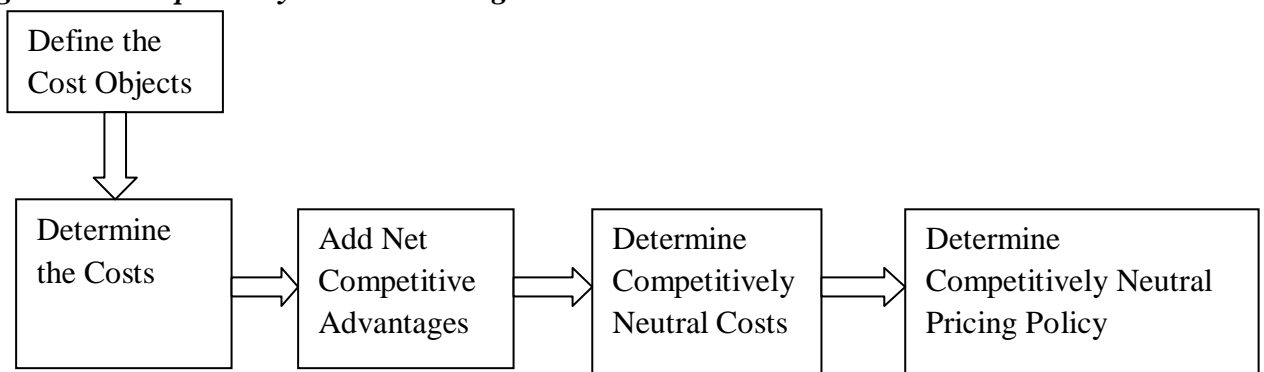
exercise carried out without costs. These costs will be directly or indirectly recovered from users irrespective of the fact that the prices will be adjusted or not.

### 2.6.0 The Pricing Policy Best Practice.

According to Schefers et al (2010), managers of an entity should employ the best pricing strategy if they need to see their entity going on in the near and long future. Managers need to consider the provisions of the enabling Act regarding pricing of services, the true total cost of providing a service, the nature of the clientele and its ability to pay, values and perceptions attached to the service by third parties, and focus on the objectives of the entity. Management is likely to come up with the best price. Schefers et al (2010) was later supported by Carricano (2014), who also brought about the idea that fees and charges should be set at a level that ensures full costs of providing the service is accounted for and recovered. This implies that services should be charged at full cost recovery basis. According to the same author (Carricano, 2014), the pricing policy should take into account the following aspects in order to come up with the best practice; where subsidies are provided in particular services, they have to be transparent and explicitly stated; the prices should take into account the government's competitive neutrality requirements; fees should be pegged at higher of full cost recovery or related market prices (if available); and the target prices should result in a target level of revenue that is no less than budget bids (forecast expenditure) for the entity. The policy should be formally reviewed at least once per year, or more often if the prevailing market forces dictates that or other cost parameters. The entity should come up with a documented pricing policy manual, and also the prices should only be varied in any given financial year in accordance with actual changes to the cost structure, prevailing market conditions or other such factors that may affect the cost and price structure.

The above ideas as presented by Carricano (2014) were in agreement with Neale (2010) in her journal for the New South Wales Treasury, who added on that by noting that pricing of contestable services should be transparent and cost reflective as this ensures that government agencies compete on an efficient basis with the private sector. Neale (2010) went on to establish the process of coming up with a competitive neutral pricing policy:

**Figure 2.3 Competitively Neutral Pricing**



*Adopted from the New South Wales Treasury: by Neale (2010)*

Neale (2010) indicated that the idea of competitive neutrality seeks to achieve an efficient allocation of resources between public and private sectors; and it require agencies to set their prices such that at least they cover all costs, an idea she described as “full cost attribution”. Turner and Hallencreutz (2011), in their study noted that the fuss in pricing efficiency in markets rests upon the possibility of sending inaccurate signals regarding the value of the service being offered to the target market. An entity should assess all factors surrounding the prices being charged, its ability to reflect the value in service, and the hypothesis between users’ perceptions and the entity’s recognised value in service. This was in perfect alignment with Ingenbleek (2014), who, in his publication noted that issues that surround the concept of pricing efficiency are routed on the causes of pricing inefficiency, which he outlined as non optimizing behaviour, inefficiency in related markets, missing markets, non excludable consumption, successful collusion, and risk.

The researcher is in full agreement with the above authors regarding what constitutes the best pricing policy practice and the justifications attached.

### **2.7.0 Conclusion**

This chapter was focusing on related existing literature researched and published by other scholars with a direct bearing on public sector entities. The literature formed the theoretical framework around the problem area the researcher seeks to venture. The chapter unveiled various pricing systems for public sector entities, their applicability to the operations of the Commission, their merits and demerits, and the implementation and administration of a pricing policy. It also went on to outline what constitutes an efficient pricing policy and how such a policy is reviewed, its impact on access to justice by the general public and how such a pricing policy affects the overall financial performance of the entity. The preceding chapter deals with the methodology the researcher is going to use on data collection.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

According to the Industrial Research Institute (2010), a methodology is a way of finding out the results of a given problem on a specific matter that is referred to as a research problem. In short, the Institute noted that the methodology is the way of searching or solving the research problem. This was supported by Schwartzel (2009), who added that the methodology involves activities like identifying the problems, reviewing literature, formulating and testing the hypotheses, measurement, data collection and analysis, interpreting results and drawing conclusions. Jonker and Pennink (2010) suggested that this involves a scientific analysis of a research problem which includes the research method, previous work undertaken, the hypothesis, and analysis and data collection sources. This chapter is set out to give a description of how the research study was executed, embracing all the activities and procedures undertaken during the study. It also goes on to explain the selection of the research subjects and the research methods used in data gathering. The chapter starts off by detailing the research design that was used by the researcher in addressing the research problem.

#### **3.1 Research Methods**

According to Garland (2012), research methods refer to all the methods and techniques that are used by the researcher in conducting his research. These are tools employed by the researcher in collecting and processing data, establishing relationships between the data and unknown facts, and evaluating the accuracy of the results. This was also supported by Rowley (2014) who indicated that research methods can be put in three groups; the methods that are concerned with the collection of data, the statistical techniques, and the methods which are used for evaluating the results of the data collected.

##### **3.1.1 Qualitative Research**

As indicated by Dobreva (2010), this involves a research that is concerned with qualitative phenomenon, that is, situations that involves quality or kind, nature or type. In adding to this, Dumay and Sandy (2011) revealed some characteristics of this information, as non numerical, descriptive, and applies reasoning and use of words. It aims at getting the meaning, feeling, and describe it and also to uncover prevailing trends in thoughts and opinions. This method makes use of a smaller group or respondents as it seeks to get finer details regarding a given situation. The researcher decided to make use of this method, though to a lesser extent, to gather data that is exploratory, giving the respondents chance to explain, and ultimately draws a conclusion. This method was used were data was required to ascertain why things go the way they do; like why was the Commission financially unbalanced year after year during the period under investigation.

##### **3.1.2 Quantitative Research**

According to Henderson and Fernstrom (2009), this method involves an objective measurement and numerical analysis of data collected. The focus here is to determine the relationship between two variables; the dependent and the independent. Henderson and Fernstrom (2009) went on to explain that this design is either descriptive or experimental. Osman et al (2009), in supporting the above idea added also that a quantitative research is mostly characterized by the following: data is usually gathered using more structured ways, the sample size is mostly large enough to represent the population, it has a clearly defined research questions to be answered, all aspects of the study are carefully designed before data is collected, and the data is mostly in numbers and statistics. Since the data to be gathered is mostly in figures, the researcher will make use of this method in greater detail. As noted by Dobreva (2010), this method reduces the room for personal bias, both of the researcher and the respondents. Also, vast information can be summarized and comparison across categories is easier. This motivated the researcher to make use of this method as it aligns well with the data to be collected as dictated by the objectives.

### **3.2 Research Design**

Dobreva (2010) outlined a research design as a plan and structure of investigation so conceived as to obtain answers to research questions. The research design therefore is a plan for the entire research study that gives the framework of the researcher's plan of action. A research design thus provides answers for such questions as; what techniques will be used to gain data? ; what kind of sampling will be used?; how will constraints be dealt with?

A number of research designs that exist include, inter alia, the Descriptive design, Action research design, and the Causal design. Other minor designs includes the Case study research design, the Cohort design, the Cross sectional design, the Experimental design, the Exploratory design, the Historical design, the Longitudinal design, the Observational design, the Philosophical design, and the Sequential design. This research is making use of the descriptive and the causal research designs.

#### **3.2.1 The Descriptive Research Design**

As noted by Osman et al (2012), this is a research design that is best used when researchers want to understand the characteristics of certain phenomena underlying a particular problem. Osman et al (2012) asserts that descriptive research design is typically concerned with determining the frequency with which something occurs or relationship between two variables. The design is both qualitative and quantitative as the researcher seeks to collect data that permits him to describe the characteristics of the phenomena being studied. MacCarthy (2013) noted also that the term "descriptive" refers to the type of questions, design, and data analysis that will be applied to a given topic. Descriptive statistics tells what is, while inferential statistics try to determine cause and effect. The method describes the statistical association between two or more variables. Nonetheless, this design has extensive use of figures that require high levels of accuracy. Garland (2012) added to this by saying that the subject should be observed in a natural and unchanged environment, with true experiments whilst giving analyzable data. As noted by Garland (2012), this design is cheap and can greatly reduce the financial constraint without negatively affecting the effectiveness

of the research. It is also less time consuming and has the flexibility to reach out for various respondents in different geographical locations. Irrespective of all this, MacCarthy (2013) asserts that the method result in low response rate as compared to other designs. Also there is need to design a survey instrument with a sample format, and this result in the interviewer failing to unwritten data that augment the written.

### **3.3 Research Study**

As described by White et al (2009) in their journal, a case or research study is an in depth study carried out by an individual, analyzing nearly every aspect of the subject's life and history in order to ascertain patterns and causes of behavior. In discussing the same type of a research, Jasmand et al (2012) added that are divided into six types, and two methods. These types are the explanatory, exploratory, descriptive, intrinsic, collective, and instrumental. The researcher will make use of the descriptive method. Jasmand et al (2012) explained the descriptive method as one that starts with a description of theories, the subjects are then observed and the information gathered is then compared with pre existing theories. Various theories have been explained, with a designed theoretical framework; and with this, the researcher will make comparisons with the theories explained. The methods as indicated by Jasmand et al (2012) are the prospective and retrospective methods. The researcher will make use of the retrospective design, a design explained by Jasmand et al (2012) as one that involves looking at historic information that helps drawing a conclusion on the current problem.

### **3.4 Scope Of The Study**

#### **3.4.1 The Study Area**

The case study focuses on the Judicial Service Commission. However, the study seeks to dig into the pricing techniques that are used by public sector entities and test their usefulness and validity in the Commission's context. Public sector firms according to the Public Finance Management Act (2009) are state owned companies, undertakings, or corporate bodies that are created by an Act of Parliament to perform certain services on behalf of the government. These are concerned with providing various government services to the nation.

#### **3.4.2 The Study Population**

According to Wheather & Cook (2009), a study population is a list of population elements from which a sample is to be drawn. In real life situations, it is difficult to include all elements of the population in the net, and this result in the sample being drawn from a list that will be a representative of the actual population. Adding to this, Kumar (2012) explained it is where the required answers to the research are obtained. The focus of this research is 25 people that are all permanent members of the Commission, whom the researcher identified as relevant for the purpose of this research.

### **3.5 Sampling**

According to Rowley (2014), sampling is a procedure that is used when elements of the population are selected to represent the entire population. A sample is applied when the population is too large to be investigated in its entirety. By drawing a sample from the population, the researcher can draw conclusions about the entire population.

### 3.5.1 The Sampling Frame

As indicated by Dolbreva (2010), sampling frame is a list of people that correctly defines the population from which a sample is to be drawn. The sampling frame for this research will be drawn from the Accountants, the Management, the Magistracy, the Master of High Court and the Taxing Officers. These have been chosen to be the population for the purpose of this research since they are directly involved in the financial affairs of the Commission.

### 3.5.2 The Sample Size

According to Cottrell (2013), a sample size is the number of elements that have been chosen to represent the population. The correct sample size depends on the nature of the population and the purpose of the study. As noted by Rowley (2014), there are several factors that determine the sample size, and these include the size of population, the objectives of the study, level of precision required, the risk factor, and the time available to fully attend to them all. Thus the sample size the researcher is going to make use of is 20 people out of a population of 25, constituting 80% as population representative. This was in line with Dobrev (2010) who indicated that the bigger the sample size relative to the population, the more representative it is in terms of the population characteristics. The selection of the sample was done through the use of a probability sampling method.

*Table 3.1 The Sample Size*

<b>RESPONDENTS</b>	<b>POPULATION</b>	<b>SAMPLE</b>	<b>PERCENTAGE</b>
Accountants	8	6	75%
Taxing Officers	5	4	80%
Managers	3	3	100%
Magistrates	8	6	75%
Master of High Court	1	1	100%
<b>TOTAL</b>	<b>25</b>	<b>20</b>	<b>80%</b>

*Source: Research data 2014*

### 3.6 The Sampling Methods

As indicated by Kumar (2012), there are basically two methods of sampling, probability sampling and non probability sampling. This research made use of the probability sampling method in selecting the respondents.

#### 3.6.1 Probability Sampling Method

As shown by Rowley (2014) in his publication, this method is used where all members of the sample are chosen through the random process that gives all elements of the population each an equal chance of being selected. The researcher used this sampling method since it gives all elements of the population a non- zero chance of being selected and included in the sample space. Taking a look at the population composition, all elements have some valuable knowledge regarding pricing of services in the Commission and its impact on the financial performance. This motivated the researcher to award all the elements an equal opportunity of being selected into the sample. The probability method used is the Simple random sampling method.

### **3.6.1.1 Simple Random Sampling**

According to Schwartzel (2009), this is a probability sampling method that is used that gives each element of the population an equal and known chance of being selected. The method requires a serial numbering of all elements of the population. A sample will then be chosen from the serialized population, choosing any number at random.

## **3.7 Sources of Data**

According to Rowley (2014), data are the raw facts collected by the researcher from the target respondents. This research is based on two forms of data, primary data and secondary data.

### **3.7.1 Primary Data**

As noted by Cooper and Schindler (2011), this is data that is collected directly from the source or that has been collected for the first time in the target field. The primary data is used together with secondary data, however, this form of data can also be used to refine the secondary data. Cottrell (2013) also added that the data is normally gathered using questionnaires, interviews, or observations. This form of data will form part of the results of issued questionnaires, and interview results. Cooper and Schindler (2011) added on and said that this form of data is highly useful in research since it will be in its basic or raw form, making it first-hand data. This makes it more unbiased as compared to secondary data. The data also is highly reliable as it is collected directly from the source. Cottrell (2013) however indicated that the data may be so cumbersome and voluminous. As a result of this, this data form is time consuming in gathering and is highly dependent on the attitude of the respondents regarding the provision of information. Some respondents may deliberately misrepresent facts and that will give the researcher hard time to stream the data into meaningful information.

### **3.7.2 Secondary Data**

In yet another publication, Cooper and Schindler (2014) defines secondary data as data that have already been gathered by other researchers and scholars, and is available for consumption on private or public domain. The major sources of this data form for the purpose of this research involves the Public Finance Management Act, the Judicial Service Act, the

JSC Policy documents and manuals, the JSC Financial Statements for the period 2011 to 2013, other Acts of Parliament that regulates the operations of public sector entities, and any such relevant material that the researcher may find fit for the purpose of this research. This data type has been proven to be easy to obtain, less expensive and less time consuming in gathering. This data helps to refine primary data and direct the data gathering exercise through defining what is required and how to get it based on the overall objectives of the research. It also points the researcher towards his final objective and nurtures the researcher how to go about data consolidation and processing. Cottrell (2013) noted however that the major challenge of this data is that it may fail to fully fill in the researcher's gap (research framework). Moreso, it is difficult to fully rely on this data as its level of reliability cannot be substantiated. The data also can easily be corrupted and obsolete.

### **3.8 Data Gathering Techniques**

According to Cooper and Schindler (2014), these are methods employed by the researcher in coming up with the required data. The researcher, guided by the research objectives, decided to use personal interviews and questionnaires as the methods of obtaining both primary and secondary data.

#### **3.8.1 Use of Questionnaires**

The primary data collection instrument that was used in this study was the questionnaire. According to Cooper and Schindler (2011), a questionnaire is a booklet of structured and standardised procedures, and containing open ended questions at times that are used to collect information from the respondents who record their own answers. Put in a different way, Mellenbergh (2009) describes it as a research instrument that consists of series of questions and other prompts that are designed for gathering information from respondents. It can also be regarded as a data collection instrument that sets out the questions to be asked in a formal way in order to produce the desired information. Furthermore, a questionnaire is a structured sequence of questions designed to draw out facts and opinions and which provides a vehicle for recording the data (Rowley, 2014). Questionnaires enable the respondents to answer questions in the comfort of their homes or offices without any undue influence. Also, while respondents will be filling in data on questionnaire, the researcher will at the same time be doing other things beneficial to the whole exercise. Cooper and Schindler (2014) also noted that confidentiality is highly enhanced as the respondents are not forced to give their personal details. This on the other note promotes relative accuracy of data. The method also is not expensive to conduct if the respondents are not widely dispersed. Also, the respondents will have time to consult others on areas that they may not be sure about, and bias normally associated with personalized discussions are eliminated. Respondents in a wide geographical scope can be reached out and the method places less emphasis on immediate responses as is on interviews and observations. The method also allows for relevant questions to be asked and responded to. However, Cooper and Schindler (2011) noted in their research paper that since respondents will not be controlled and monitored, they may deliberately misrepresent information, rendering the research useless. Also, not all respondents will return back the

questionnaires, and of the returned questionnaires, there is no room for further probing and elaboration.

### **3.8.1.1 Types of Questions**

According to Rowley (2014), research questions can be classified into two distinct classes: the open ended questions and the closed ended questions. For the purpose of this research, closed ended questions in the form of a five point Likert Scale are made use of.

### **3.8.1.2 Closed Ended Questions**

According to Cooper and Schindler (2014), closed ended questions are questions that present a fixed set of choices to the respondents. The respondents will have a set of alternatives from which one can choose the response. There is no room for opinion. Cooper and Schindler (2011) demonstrated that there are three types of closed ended questions; dichotomous response, multi choice response, and scaled or Likert response. Dichotomous response, as indicated by Cooper and Schindler (2011) is the simplest form of closed ended questions that allows for a choice between two alternative answers which are normally opposing. In most cases, the answer to these is either a “yes” or “no”. Few questions that require these responses were used by the researcher, especially on straight forward questions that have only two available choices to select from. Cooper and Schindler (2011) explained these as a set of response that are fixed but they provide more than two set of answers to choose from. These are mostly used where opinion may be required but taken from the available answers. The researcher used questions that require these types of responses that widen the choice of selection but at the same time probing into the minds of respondents’ alternatives that are available. According to Sandy and Dumay (2011), closed ended questions are easier and quicker to get answers from the respondents, and these answers are also easy to code and analyse. Availability of choices from which to take the answer helps to clarify the question further, giving the respondents room to respond even to sensitive questions with easy. However, Cooper and Schindler (2014) noted that suggestion of responses to the respondents may stifle the mind coverage of the respondents, forcing them just to choose from what they may not fully agree with. Also, respondents may simply give answers for the sake of just completing the questions without applying their minds. If respondents wrongfully interpret the question, it may be difficult to detect it. Majority of the questions used in this research were based on the Five Point Likert Scaled Response.

### **3.8.1.3 The Five Point Likert Scale Response**

According to Cottrell (2013), the scaled response permits the measurement of the intensity of the respondents’ solutions to multiple choice responses. The researcher made use of the scaled response because they eliminate the development of bias in the responses among the respondents. Also, they help in assessing attitudes, opinion, and perceptions. The scale also helps to standardise the responses and compare them as well. The responses also are easy to code and analyse straight from the questionnaire (Rowley, 2014). Respondents will circle the number that represents their choice.

The five point Likert scale the researcher made use of have five variables as shown below.

**Table 3.2 The Likert Scale**

Item	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Points	5	4	3	2	1

*Adopted from Cottrell (2013)*

### **3.8.2 Justification of Using a Questionnaire**

The researcher decided to use a questionnaire because it is easier and quicker to get an answer from the respondents. Also, answers from different respondents are easy to code and statically analyse. The response choices help to clarify question meaning for the respondents. It has also been noted that respondents are more likely to answer even sensitive topics without fear (Rowley, 2014). Also, the researcher noted that this method is economic and time saving, considering the hectic schedule the researcher has. The researcher made use of all the three types of questions for data gathering. According to Cottrell (2013), the use of all the three types of questions ensures the collection of complete information from the respondents.

### **3.8.3 Pilot / Pre Testing**

According to Cottrell (2013), pre-testing refers to the testing of the questionnaire on a small sample of respondents to have a fore test of how the design and structure of questions is in the respondents' view. A pilot study is described as the use of a questionnaire on a trial basis. All the aspects of the questionnaire should be tested, including wording sequence and layout. According to Cottrell (2013), the respondents in the pre-test should be similar to those who will be included final data gathering exercise. Pre-testing is critical for identifying questionnaire problems that include problems associated with question content and question meaning. The questionnaire was pre-tested in a pilot study involving members of staff at the Secretariat, High Court of Zimbabwe and the Chief Magistrate's office. Pre-testing was used in the study to identify flaws in the questionnaire design and to determine the approximate time required by a respondent to complete the questionnaire. Furthermore, pre-testing was conducted to test the questionnaire face and content validity, and rectify problems, if any. After pre-testing, the questionnaire was refined for final data collection.

### **3.8.4 Interviews**

According to Millward and Cachia (2011), a personal interview is a two way conversation initiated by the interviewer to obtain information from the interviewees regarding a particular subject. The interview generally follows the pattern the interviewer desires, and it is the interviewer who controls the interview. Millward and Cachia (2011) went on to say that the greatest value of personal interviews lies in the depth of information and detail that can be gathered. The interviewer has powers to direct the flow of information that best suits his desire, and thus will be able to gather more data as compared to any other form of data gathering. The interviewer also can probe further and also is able to interpret body languages and other cues that cannot be expressed in black and white. Millward and Cachia (2011) was also supported by Rowley (2012) who also added that the interviewer can also explain to the respondents the kind of answers one is expecting, how detailed and complete it had to be, and



how it has to be expressed. The researcher identified individuals to constitute the population taking into account the respondent's exposure, experience, relevance of duties being performed, and convenience to the researcher. This is shown in the table below.

**Table 3.3 Interview Sample Size**

<b>Target Respondents</b>	<b>Population</b>	<b>Sample Size</b>	<b>Percentage</b>
Managers	2	1	50%
Accountants	3	2	66.67%
Taxing Officers	3	2	66.67%
Magistrates	1	1	100%
<b>TOTAL</b>	<b>9</b>	<b>6</b>	<b>66.67%</b>

*Source: Research data 2014*

As noted by Fitsimmons (2011) in his research paper on usefulness of interviews as a technique, he indicated that the interviewer has direct access and communication with the respondents, giving him an opportunity to probe further. The interviewer also has power to direct the flow of data from the respondents as he controls the conversations. More so, Fitsimmons (2011) noted that body languages and non verbal cues can be easily taken note of as the interview progresses. Also, once the respondent has accepted an interview booking, it is definite that the interviewer will get the response, unlike in other forms where response will only be certain after receiving it. Irrespective of this however, Rowley (2012) concluded that interviews are generally time consuming and sometimes expensive to conduct. Also, for it to be effective, the interviewer has to be well trained how to manage an interview, or else, it will not gather as much as may be expected. Respondents in most cases follow the guts of the interviewers. If the interviewer shows full control of the interview, the interviewers tend to shed more, and vice versa, thus the interviewer becomes part of the measurement instrument in determining the output.

### **3.8.5 Justification for the use of Personal Interviews**

Personal interviews were used in this study as the researcher, guided by the general objectives of the study, took note of the need for full explanations, elaborations, citations, quotations, and description of the pricing system and its impact on the financial performance of the Commission. The method also gave the researcher an opportunity to probe further with the respondents, where necessary. Also, since the researcher is also an employee of the JSC, interviews proved so fruitful for data gathering and also the quality of data as most of the respondents were familiar with the researcher, hence the respondents could shed more light even on sensitive questions.

## **3.9 Data Presentation and Analysis**

### **3.9.1 Data Presentation**

The data gathering exercise brought in both qualitative and quantitative data. According to Cooper and Schindler (2014), data presentation explores the overall procedures to be used by the researcher to organize, present, describe, and interpret the collected data. The process involves suggesting the manner in which findings are to be presented into logical pieces of information. Questionnaires were collected from respondents. Quantitative data analysis was used, and this involves the use of charts, tables and graphs. The Questionnaire responses were coded and then tallied, question by question. The researcher first cleaned the data to remove inconsistent response (checked for errors) and then tallied the response question by question. Qualitative data gathered from interviews was also analyzed and used to complement quantitative data, then presented on graphs and charts.

### **3.9.2 Data Analysis**

Schindler & Cooper (2011) indicated that data analysis involves the reduction of accumulated data into manageable sizes, developing summaries, patterns, data modeling and transformation, data cleaning and application of statistical techniques, and suggesting conclusions and supporting decision making. The process of data analysis involves two stages, data editing and data coding.

#### **3.9.2.1 Data Editing**

This forms an integral part of data analysis. According to Schindler & Cooper (2011), data editing involves a thorough and critical examination of completed questionnaires, checking for compliance with the set criteria of gathering meaningful data, and also acting on questionnaires not duly completed as expected. Editing of data flushes out errors and mistakes and also certifying if minimum standards of data quality have been complied with. Thus, data editing guarantees that data is accurate, consistent with set criteria, uniformly entered, and is arranged in a manner that facilitates data coding and tabulation. The researcher edited the completed questionnaires so as to achieve the above objectives.

#### **3.9.2.2 Data Coding**

Schindler & Cooper (2011) suggested that data coding involves assigning numbers or any other symbol (codes) to answers so that responses can be grouped into classes or categories. This has been noted as necessary for efficient data analysis. Rowley (2012) also added that data coding helps the researcher to stream line various responses into a limited number of categories that contains critical information required for analysis. This makes the data ready for analysis.

### **3.10 Conclusion**

This chapter examined the research methodology, which was done through outlining how the research is designed, the scope of the survey, the survey population and the sampling methods used, sources of data and how the data was gathered, and how the data was presented and analyzed. The following chapter of the research concentrate on the results gathered from the respondents. The chapter will concentrate on the responses of the respondents to the questions in the questionnaires and interviews conducted. Tables, pie charts and bar charts were used to aid the analysis of the data.

## **CHAPTER FOUR**

### **RESEARCH RESULTS**

#### **DATA PRESENTATION AND ANALYSIS**

##### **4.0 Introduction**

This chapter focuses on the analysis and interpretation of data collected through the questionnaire (find attached addendum two), and the interviews (find attached addendum three). According to Klein (2010), data analysis and data presentation are closely related; however, in data analysis, data gathered is broken down into groups or sub units which are then examined separately, and then translated into results. In data interpretation, the results of the analysis will then be translated into integrated and meaningful streams of findings. These findings should be relevant with the research objectives. Descriptive statistics such as tables, pie charts and bar graphs were used in this study for data analysis as these perfectly illustrate trends and relationships.

##### **4.1 The Empirical Results**

This part of the study focuses on the analysis and interpretation of data obtained through the self administered questionnaires and interviews. Each section of the questionnaire and interview schedule will be discussed separately. The answers obtained will be shown by a table, a figure, or both. This will then be interpreted accordingly and compared with empirical studies to see if they are consistent with other previous literature or not.

##### **4.2 Response Rate**

According to Kumar (2010), the response rate is the rate at which the target respondents actually responded as a proportion of the total target group. In simpler terms, this is an expression of the number of people responded to the number of people making up the target group, and is in most cases expressed as a percentage of the group. Mitic et al (2012) indicated that the higher the response rate, the more accurate the response is. This rate also points towards the level of confidence and reliability of the research results.

##### **4.3 Questionnaire**

### 4.3.1 Questionnaire Response Rate

The questionnaire was the main primary data collection instrument used for this research. A total of 20 questionnaires were distributed and 15 out of 20 (75%) were returned successfully as shown in the below table.

**Table 4.1: Questionnaire Response Rate**

Category of Respondent	Number of Respondents		Response Rate
	Target	Actual	
Accountants	6	5	83.33%
Taxing Officers	4	3	75%
Managers	3	2	66.67%
Master of High Court	1	1	100%
Magistrates	6	4	66.67%
<b>Total</b>	<b>20</b>	<b>15</b>	<b>75%</b>

**Source: Research Data 2014**

An overall 75% response rate was obtained by the researcher from questionnaires; hence a reliable conclusion can fairly be drawn. Cottrell (2013) in his research paper indicated that a response rate of 60 % is good enough; however, a rate of 70% and above is excellent enough for the research findings to be regarded as valid and reliable.

#### **Question 1: Which pricing policy is the Commission currently making use of?**

Below are the responses that were given by the respondents with regards to the above question pertaining to the pricing strategy currently in use.

**Table 4.2 Pricing Policy Currently in use**

Policy	Strongly Agree		Agree		Unsure		Disagree		Strongly Disagree		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
B.E.P	0	0	2	13.33%	0	0	8	53.33%	5	33.33%	15	100%
F.C.P	0	0	0	0	0	0	8	53.33%	7	46.67%	15	100%
M.C.P	0	0	1	6.67%	4	26.67%	7	46.67%	3	20%	15	100%
P.B.P	0	0	0	0	0	0	5	33.33%	10	66.67%	15	100%
OTHER	4	26.67%	8	53.33%	1	6.67%	2	13.33%	0	0	15	100%

**Source: Research Data 2014**

**Key to the Table above:**

B.E.P- Break Even Pricing

F.C.P - Full Cost Pricing

M.C.P -Marginal Cost Pricing

P.B.P- Profit Based pricing

Other - Other pricing method other than those shown above

#### **(i) Break Even Pricing (B.E.P) Method**

Based on the data collected and presented above, 2 out of 15 (13.33%) respondents indicated that they agree that the Commission is using the Break Even pricing method; There was no one unsure whether the pricing system in use could be the break even pricing or not. Also, 8 (53.33%) out of 15 disagreed while 5 (33.33%) strongly disagreed on the break even pricing. Overall, 13 out of 15, representing 86.67% of all the respondents could not agree with the pricing system in use to be the break even pricing, with only 2 (13.33%) agreeing. Statistically, the data has a mean of 3, 75 and mode of 8 in disagreement about the break even pricing. Since the mean and the mode are both below the rate of disagreement, a conclusion can be arrived at that the Commission is not using the break even pricing policy at the moment. This comes in bare agreement with what was indicated by Nikala (2010) in her study, that the break even pricing strategy is in actual fact a theoretical strategy that can never be practically implemented, especially in public sector entities.

#### **(ii) Full Cost Pricing (F.C.P) Method**

The data in the above table shows that there was not even a single respondent who indicated that Full Cost pricing method is currently being used by the Commission. A total of 8 (53.33%) respondents disagreed while 7 (46.67%) strongly disagreed on the use of the full cost pricing method. This can be converted to a 100% disagreement on the use of the full cost currently. The data statistically has a 7, 5 mean and a mode of 8 disagreeing with the use of the full cost at the moment. Since the data has a mean that is less than those disagreeing, this implies that the data is above average in terms of its acceptance. This then will imply that the Commission is not so much worried about full recovery of costs. Egwakhide (2012) indicated in his research paper that at least an entity should strive to recover all costs that are necessary for the provision of service through its pricing method. What was indicated by Egwakhide (2012) seems to be at divergence with what the JSC is all worried about.

#### **(iii) Marginal Cost Pricing (M.C.P) Method**

The table presented above shows that only 1(6.67%) out of 15 agreed that the Commission is currently using the marginal cost pricing method. This could be as a result of inferential application of sense that since the Commission is not folding its arms, it implies that it is recovering its marginal costs. A total of 4 (26.67%) were unsure regarding marginal cost pricing. This could be as a result of lack of enough knowledge regarding marginal costs. While 7 (46.67%) disagreed, 3 strongly disagreed that the JSC is currently using the marginal cost pricing method. This indicates a 6.67% agreement while 93.33% disagreed with the notion that the Commission uses the marginal cost method of pricing. This data reveals a mean of 3.75 and a mode of 7 disagreeing that the JSC is using the marginal cost pricing method at the moment. Considering the response rate of 15, this is a very notable rate of disagreement that can be well relied upon that surely the JSC is not using the marginal cost method at the moment. Rolando (2012) explained this method as a no-easy method in the public sector as it demands the highest integrity as optimum positions will never be reached unless tough restrictive measures are put in place first. This then may be taken to be in line with the non-existent of such a method in Zimbabwe's court systems.

#### **(iv) Profit based Pricing (P.B.P) Method**

Data presented above taken from the findings indicated that not a single respondent indicated that the JSC is using a pricing method that is profit based. However, 5(33.33%) disagreed while 10 (76.67%) strongly disagreed with the use of such a pricing method in the Commission. This overallly indicates a 100% disagreement with the use of the profit based pricing method. This information has a 7.5 mean and a mode of 10 disagreeing on the use of this method at the moment. This was coming in line with Sihag (2009) who noted that this method cannot practically be used in the public sector. Sihag (2009) was also later supported by Egwakhide (2012) who later added that the method if used in the public sector will result in super profits due to service monopoly.

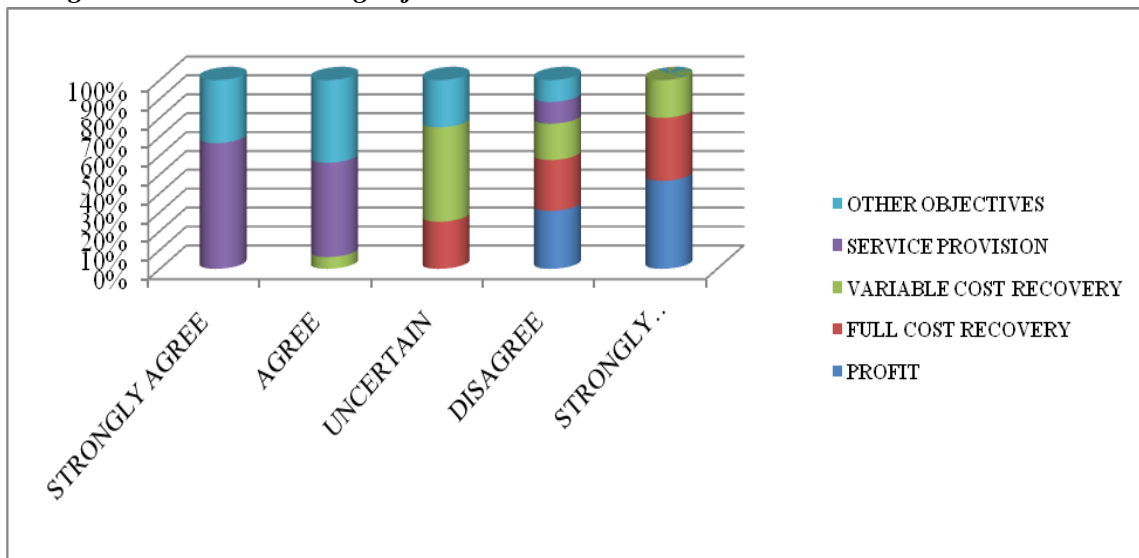
**(v) Other Pricing methods**

The respondents revealed that 5(33.33%) out of 15 strongly agreed while 8 (53.33%) out 15 agreed that the JSC is using some other pricing method that is not part of those indicated above. However, while 2 (13.33%) were not sure, none of the respondents disagreed that the JSC is using some other pricing method. This data have a mean of 5 and a mode of 8 agreeing that the JSC is using some other pricing method not indicated above. This fits well with what was noted by Galbraith (1973) in his Contingency theory. He indicated that there is no perfect formula, neither theorem nor best strategy that public sector entities can follow across the globe. The principles adopted by each entity are unique to that entity only. The method however was criticised by Hughes (2012) who noted that the theory laves momentum and is also out-dated as it shows that it has since been overtaken by events.

**Question 2: Which one of the following is the Commission’s main current Pricing objective?**

The following Figure illustrates the researcher’s findings regarding the current main pricing objective of the Commission.

**Figure 4.1 Current Pricing objectives**



Source: Research Data 2014

**(i) Profit as the current main objective of the Commission**

Based on the findings, 8(53.33%) out of 15 respondents indicated that they disagreed that profit is the main objective of the Commission; and 7 (46.67%) strongly disagreeing also. These came into agreement with Egwakhide (2012) who indicated in his publication that profit cannot be taken as a fair objective for a public sector firm since that will result in super profits caused by monopolising the service. Robson (2010) also indicated that it may not be an easy exercise to come up with a rate of profit that can be applied fairly well across all public sector entities. The data has a mean of 7.5 and a mode of 8 disagreeing. This shows that all respondents making up the sample disagreed on profit being the main pricing objective.

#### **(ii) Full Cost recovery as the main pricing objective of the Commission**

The results from the table indicates that 3(20%) out of 15 respondents were not certain whether the Commission considers full cost recovery in setting its prices; and 7 (46.67%) feels that they disagree; and 5(33.33%) strongly disagree that the JSC takes full cost recovery as an objective when coming up with a pricing policy. Those that were not sure (20%) could be as a result of limited knowledge about full cost recovery. Overall, 12 (80%) out of 15 disagreed on full cost recovery as an objective of the Commission at the moment; and these came in perfect agreement with Casier et al (2009) who indicated that full cost recovery is not a useful objective in public sector entities as it ends up contradicting other national objectives. However, Jacob et al (2009) views it differently as they indicated that this will facilitate full recovery of costs of providing the service. The data has a mean of 5, and a mode of 7 disagreeing.

#### **(iii) Variable Cost Recovery as the main pricing objective of the Commission**

The findings revealed that only 1(6.67) respondent agreed that the Commission targets to recover variable costs, and 6(40%) were uncertain, 5(33.33%) disagreed while 3 (20%) strongly disagreed. By analysing these findings, it shows that majority (53.33%) of the respondents are of the view that recovery of variable costs does not form part of the Commission's main pricing objective. The data has a mean of 3.75 and a mode of 6 uncertain. This means that respondents could not agree with this objective, however, they possess some reservations whether the Commission targets variable costs or not. Applying empirical results of the other scholars, this seems to be at loggerheads with previous findings. In his Public Sector Pricing theory, Akiva (2008) indicated that public sector firms should always operate at a point that results in it covering at least variable costs. This was also supported by Sihag (2009); and Egwakhide (2012), who indicated that at no point should an entity price its services below variable cost.

#### **(iv) Service Provision as the main pricing objective of the Commission**

Taking the researcher's findings as presented above, 4 (26.67%) out of 15 respondents strongly agree while 8(53.33%) agreed that the Commission focuses on service provision when setting out its pricing strategy. However, 3(20%) of the responses showed that they disagreed that service provision is the main objective at the moment. This data has a mean of 5 and a mode of 8 agreeing. This can be concluded that majority (80%) of the respondents felt that the Commission targets service provision as the basis of their pricing strategy, and indeed set its prices with only service provision in mind.



This was in full agreement with McClelland (2009) who indicated that provision of justice to all should be the focus of the judiciary, making it affordable to the whole society. Walsh et al (2012) also supported the above idea by saying that the pricing system of most developing countries stands as a deterrent to the poor when it comes to cost of justice.

**(v) Other Pricing objectives taken as important by the Commission**

The results indicated that 2(13.33%) out of 15 strongly agree, and 7 (46.67%) agreed that there are other factors other than those indicated by the researcher that the Commission takes as paramount in determining the prices to be charged. Also, 3(20%) indicated that they are not certain whether there are any other outside factors the Commission prioritises in setting its prices while 3(20%) disagreed. This data has a mean of 3.75 and a mode of 7 agreeing. This can overall be indicated as 60% agreeing that there are other pricing objectives prioritised by the Commission. These are supported by what Abbasi (2009) indicated when he was analysing the applicability of the Agency theory to the public sector. Abbasi (2009) indicated that ministries, departments, government entities, and all other public sector firms act as agents, with the central government acting as the principal. They then implies that there is always the influence of the invisible hand; politics of the day.

**Question 3: Does the Commission have powers to set prices for its services to the public?**

Below is a table showing the responses obtained for the above question.

***Table 4.3 Power of the Commission to set prices***

<b>Details</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Unsure</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>Total</b>
Frequency (Respondents)	10	3	0	2	0	<b>15</b>
Percentage	66.67%	20%	13.33%	0	0	<b>100%</b>

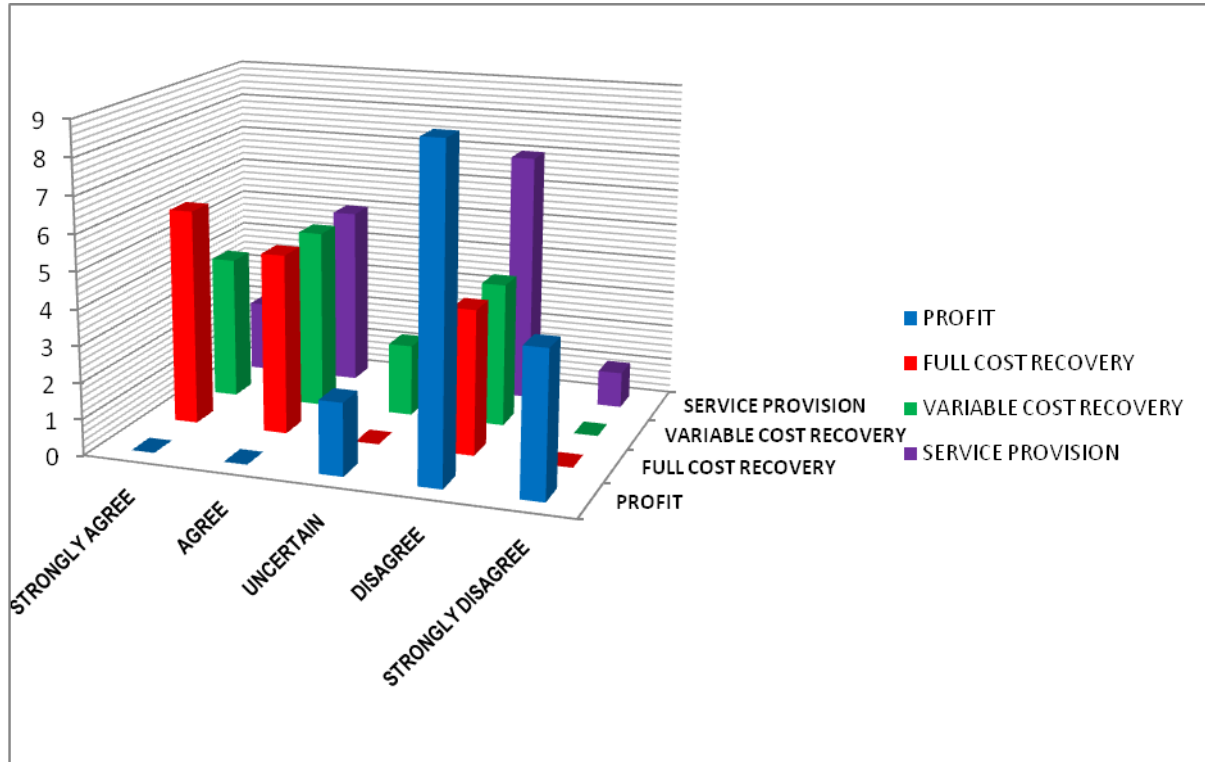
***Source: Research Data 2014***

From the table above, 10 (66.67%) out of 15 strongly agree, and 3 (20%) agree while 2 (13.33%) disagreed that the Commission has enough powers to set prices of its services. The data has a mean of 5 and a mode of 10 agreeing. Analysing the data, by using the majority of the respondents (60%) it can be concluded that the JSC has the powers as a public sector entity. This comes in bare agreement with what Sufian et al (2013), who indicated that when setting prices, public sector entities should be guided by three things; authority, efficiency and accountability. Authority therefore defines the capacity to set prices for service it offers. According to the Audit and Exchequer Act (22:03), it is the mandate of the Commission to set prices for the services it provides. The Public Finance Management Act (22:19) of 2009 only authorises the establishment of a retention fund and the expenditure of such funds so deposited into that fund account. However, the Act is silent on the way prices should be set by the public entities.

**Question 4: What do you think the Commission should adopt as the main pricing objective?**

The Figure below shows the responses obtained regarding what the Commission should adopt as the main pricing policy objective.

**Figure 4.2 Main pricing objectives to be adopted**



Source: Research Data 2014

**(i) Profit as the main objective to be adopted**

Based on the Figure above, 2 (13.33%) out of 15 respondents were uncertain on whether profit can be taken as a pricing objective by the JSC. However, 9 (60%) disagreed while 4 (20%) out of 15 strongly disagree that profit can ever be taken as a pricing objective by the Commission. This came into perfect square with Egwakhide (2012) in his International Journal of Business and social science, who indicated that profit based pricing policies are not fit for public sector entities as they lead to profiteering due to monopoly services. The data has a mean of 5 and a mode of 9 disagreeing. Overall, a total of 13 (86.67%) disagreed with the profit objective as indicated by Egwakhide (2012).

**(ii) Full Cost recovery as the main pricing objective to be adopted**

From the data presented above, 40% (6/15) of the respondents indicated that they strongly agree while 5(33.33%) out of 15 agree that full cost recovery is a good pricing objective to be taken on board by the Commission. Regardless of this, 4 (20%) of the respondents disagreed on this matter. Those who disagreed were agreeing with what Casier (2009) indicated in her research paper. She noted that full cost recovery may not blend well with other objectives for public sector services, which include affordability to everyone. The data has a mean of 5 and mode of 6 agreeing. In analysing the results, since the majority (73.33%) agrees on full cost recovery, this then implies that possibly this could be

considered a valid pricing objective of the JSC. This on its own came in full harmony with what a certain theorist, Akiva (2008), in his Public sector pricing theory indicated; that entities should always strive to set prices at a point that maximises welfare, where welfare was indicated to be the net of total social benefit to total social costs. Akiva indicated that prices should never be set below marginal cost of providing the service. Casier et al (2009) added that this will result in a pricing system that absorbs all costs of providing the service, hence will result in the entity being self reliant.

**(iii) Variable Cost Recovery as the main pricing objective to be adopted**

The results above shows that 4(26.67%) of the respondents strongly agree while 5(33.33%) agree that variable cost recovery should be taken as a pricing objective. However, 2 (13.33%) of these respondents were not certain while 4 (26.67%) disagreed regarding this matter. Those that were not certain could be as a result of lack of knowledge regarding variable costs. The data has a mean of 3.75 and mode of 5 agreeing. The ability of an enterprise to recover its variable costs dictates its possibility to remain in business. Nikala (2010) indicated in his research study that entities should at least be able to recover its costs of operating business through its pricing system. Dunstan et al (2013) also supported the same idea and added that the pricing method will make sure that the firm will be on a good position to tell a point where its prices should never fall below. Overallly, 9 (60%) agreed on the variable cost recovery element. Conclusively, the Commission should set a price system that is capable of recovering all variable costs as indicated by Nikala (2010).

**(iv) Service Provision as the main pricing objective to be adopted**

Irrespective of the importance of service provision, the research findings indicated that 2 (13.33%) out of 15 strongly agreed and 5 (33.33%) agreed that this has to be taken as a pricing objective. Also, 7(46.67%) disagreed while 1(6.67%) strongly disagreed that service provision should be considered a major pricing objective. This goes in sympathy with what was indicated by the Chief Accountant in a Heads meeting held on 16 August 2013 that the pricing system lacks the basic accounting principles but only focuses on providing the service without it making any step in recovering the costs. The same line sentiments were echoed by the finance manager in his end of year annual report to the Board of Commissioners presented on 31 December 2013 that the pricing system needs revisiting as it is one side focused; the provision of service. The data has a mean of 3.75 and a mode of 7 disagreeing that the provision of services should be the main pricing thrust, forgetting about cost elements. Overallly, 8 (53.33%) out of 15 respondents disagreed that the main focus should just be service provision. However, 7 (46.67%) agreed on the importance of service provision on price setting. This result in a tier between the two, hence this calls for other factors to be incorporated before a conclusion can be drawn. Though the majority were disagreeing, this was not large enough to warrant a conclusion based on the sample size.

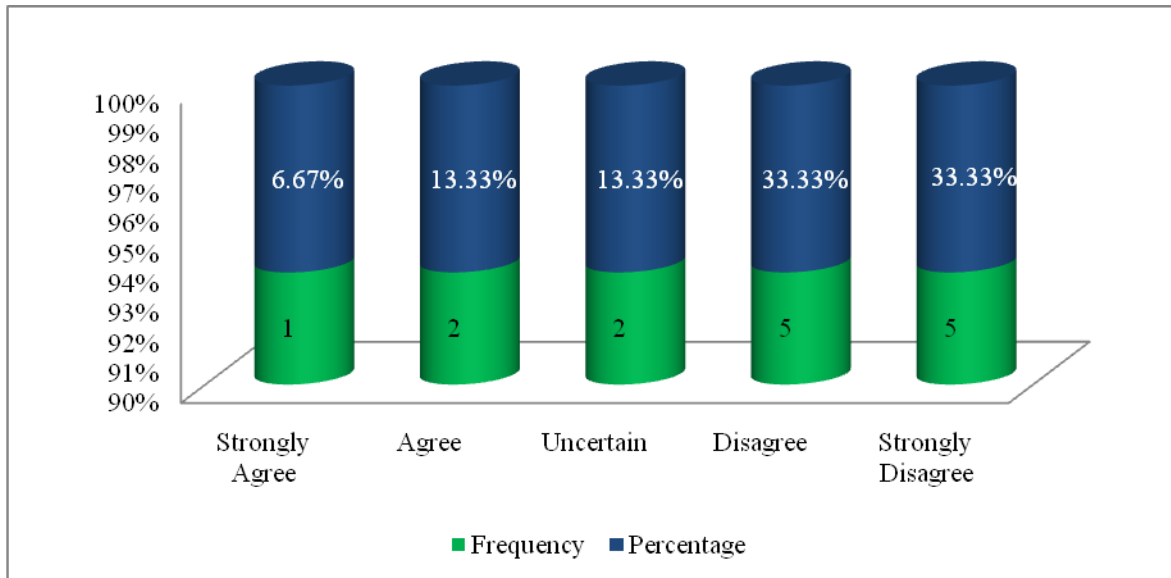
**(v) Other Pricing objectives to be taken as important**

There was none of the respondents who indicated that a consideration has to be made for other factors other than those indicated by the researcher as the most crucial factors that affects the pricing. Factors that could have been included in this bracket include political, social, demographic factors, among others. These, though they are crucial but, taking an empirical analysis of the results, cannot be given the highest priority in determining the best pricing objective.

**Question 5: Does the JSC have a pricing policy manual?**

Below are the responses obtained regarding the above question.

**Figure 4.3: Policy Manual**



**Source: Research Data 2014**

The responses obtained indicate that 6.67% (1/15) of the respondents strongly agreed and 13.33% (2/15) agreed that there is a pricing manual. However, 2 (13.33%) out of 15 respondents were not certain whether there is such a manual. There were also 33.33% (5/15) of the respondents who indicated that they disagree, and yet another 33.33% (5/15) strongly disagreeing that there is such a manual in the Commission. Based on the analysis of the response, 12 out of 15 (80%) of the respondents do not agree on the existence of a manual. The data has a mean of 3 and a mode of 5 disagreeing on the existence of the pricing manual. It can be inferred that there is no pricing policy manual in the Commission.

**Question 6: Do you subscribe to the pricing policy implementation and administration procedures in place at the moment?**

The responses obtained for the above question are shown on the below table.

**Table 4.4 Pricing Policy Implementation**

Details	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
Frequency	0	2	0	6	7
Percentage	0	13.33%	0	40%	46.67%

**Source: Research Data 2014**

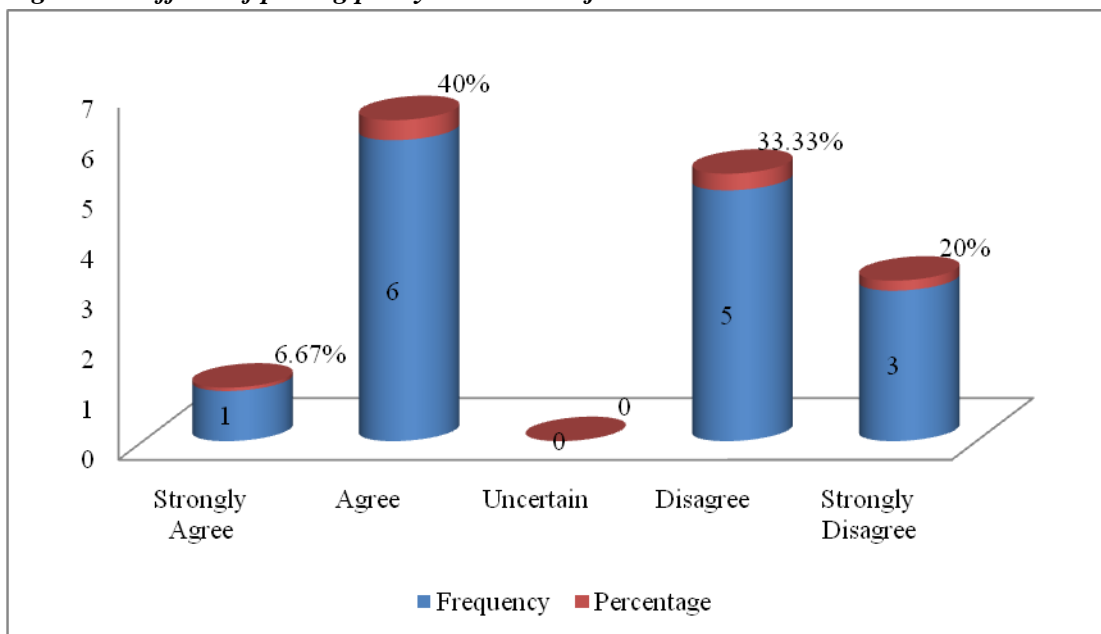
The respondents indicated that 2 (13.33%) out 15 agreed while 6 (40%) out of 15 do not agree and 4 (26.67%) strongly disagreed with the current policy implementation and administration procedures being used by the JSC; and there was none who indicated that they were not sure whether the current

implementation and administration procedures are the best. A conclusion can be arrived at that those that indicated that they do not agree with the policy procedures may be part of the implementation panel; hence they can easily conclude that they do not agree with the system. Overall, 13 respondents (86.67%) indicated that they do not agree with the implementation procedures. Vlachos et al (2011) indicated that the implementation process should take a gradual move towards the desired price level over a period of time, increasing by a given factor per time base. This seems to be at hoax with the Zimbabwean system. The data has a mean of 3.75 and a mode of 7 disagreeing with the policy implementation procedures being used at the moment.

**Question 7: Do you think the pricing policy really affects access to justice?**

The responses the researcher obtained regarding the impact of pricing policy on access to justice is presented below on the graph.

**Figure 4.4 Effects of pricing policy on access to justice**



**Source: Research Data 2014**

The figure above shows that 2 out of 15 (13.33%) and 6 (40%) strongly agree and agree respectively. Collectively, about 46.7% of the total respondents agree that the pricing policy adopted has an effect on access to justice. This comes in agreement to what Walsh et al (2012) indicated; that the judiciary should adopt effective mechanisms and procedures that reduce transaction costs to be faced by those who need the service. Van Zeeland (2009) also noted that access to justice should always be measured, and this relates to the cost, quality of procedures, and quality of outcome of the process. However, 5 (33.33%) disagreed while 3 (20%) strongly disagreed that access to justice is a variable of the pricing policy adopted. Sigh (2012) noted that those who need justice surely finds it irrespective of how much it costs them. He added on to say that approaching the courts really is not that expensive but the service of legal practitioners, which are optional, makes the process expensive. The data has a mean of 3.75 and mode of 6 agreeing that pricing policy really affects access to justice. This made the researcher to conclude that there might not be a direct relationship between cost of justice and access to justice. Overall however, 8 (53.33%) agreed that pricing policy affects access to justice while 7

(46.67%) disagreed. This results in a tie between the two, hence further researches may need to be carried out in depth to ascertain whether the relationship between the two.

**Question 8: Would you recommend the Judiciary to set its prices based on the value of the claim or the cost to the Judiciary?**

Based on the information provided by the respondents, shown below are the collected data regarding the above question.

**Table 4.5 Price Determinants**

Details	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Total
Value of Claim	2	5	0	5	3	<b>15</b>
Percentage	13.33%	33.33%	0	33.33%	20%	<b>100%</b>
Cost	6	8	0	1	0	<b>15</b>
Percentage	40%	53.33%	0	6.67%	0	<b>100%</b>

**Source: Research Data 2014**

**(i) Value of claim**

From the data above, 13.33% (2/15) strongly agreed while 33.33% (5/15) agreed that prices should be set based on the value of claim. These were coming into harmony with Marcos (2014), who indicated that court services should be priced based on the value of claim. However, of the total respondents, 33.33% disagreed while 20% strongly disagreed on this subject. The data has a mean of 3.75 and mode of 8 disagreeing that the prices should be set based on the value of claim. Conclusively, there was a 53.33% response that prices should be determined by value of claim; and 46.67% disagreeing to that.

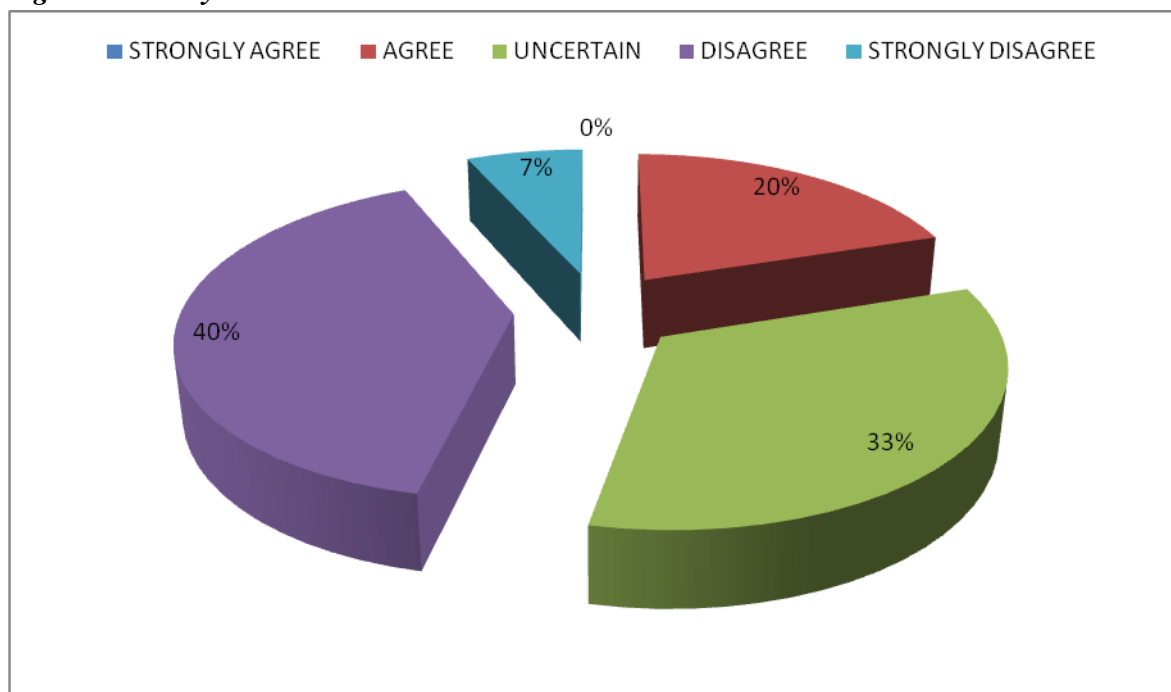
**(ii) Cost to the Judiciary**

A total of 6 (40%) out of 15 strongly agreed while 8 (53.37%) agreed that prices should be determined by how much it costs the service provider to offer the service. Only a single respondent indicated otherwise, representing a 6.67%. The data has a mean of 5 and a mode of 8 agreeing that prices should be dictated by the cost to the judiciary. These again were supported by Avlonitis and Indounas (2009) who indicated that pricing should always be based on how much it costs the entity to provide that particular service. Overall, a total of 14 agreed to the fact that prices should be set based on how much it costs the Commission to offer the service to the public. This was supported by Nikala (2010) who indicated that the pricing system should be capable of bringing up a price structure that at least covers the cost of offering that particular service to the public. This will make the Commission recover what it costed it to offer that service to the public through the price system; irrespective of whether a profit is realised or not. The respondent who indicated that prices should be set not in proportion to what it costed the Commission to offer that service may have been of the opinion that the JSC should gain much from valuable cases through higher charges, and less from less valuable cases.

**Question 9: Is there any policy review procedure manual?**

The responses obtained were presented in a graphical form as shown below:

**Figure 4.5 Policy Review Manual**



**Source: Research Data 2014**

Based on the response shown above, 20% indicated that a policy review manual exists, and 33% were not sure whether or not such a manual exist. However, 40% of them all revealed that it does not exist at all. The data has a 3.75 mean and a mode of 6 disagreeing on the existence of e review manual. Munro (2011) explained in his research paper that the influence of external forces like politics, among others sometimes stifles the pricing system of the judiciary. He went on and indicated that due to this influence, prices need to be reviewed time and again to flush out obsolescence in the system. Price review differs from a price change as noted by Hinterhuber (2012). He indicated that a review involves a constant assessment of the relevance of the price structure an entity is using. This will be in black and white regarding the procedure, timing, reporting, and implementation, if need be. This, if not done, leaves the whole pricing system with a lot to desire (Hinterhuber, 2012).

**Question 10: After how many years does the Commission review its prices?**

Below are the responses obtained from respondents pertaining to the number of years the Commission takes before reviewing its prices.

**Table 4.6 Price Review Period**

Period (In years)	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Total

Annually	0	0	0	10	5	<b>15</b>
After 2 to 3 Years	0	0	0	11	4	<b>15</b>
More than 3 Years	7	8	0	0	0	<b>15</b>
Other	8	7	0	0	0	<b>15</b>

*Source: Research Data 2014*

**(i) Annual Price Review**

From the data above, all respondents indicated that they disagree that the prices are reviewed annually. Of all the respondents, 10 out of 15 (66.67%) disagreed while 5 (33.33%) strongly disagreed that prices are reviewed annually. The data has a mean of 7.5 and a mode of 10 disagreeing on annual price reviews. This came in perfect divergent with what was indicated by Hinterhuber (2012) who noted that prices need to be revisited at most once per year depending on the market in which the entity operates in.

**(ii) After 2 to 3 years**

Responses indicated that 11 out of 15 disagreed while 4 strongly disagreed that prices are reviewed after a period of between 2 to 3 years. This represents 73.33% and 26.67% respectively. The data has a 7.5 mean and a mode of 11 disagreeing. Overall, all the 15 respondents indicated that reviews are done not within the period of 2 to 3 years after price setting. This implies that 100% of the respondents do not agree to the review period indicated above. There was no respondents who indicated that they agreed with the time span given above.

**(iii) After more than 3 years**

Data collected showed that 7 (46.67%) strongly agreed while 8 (53.33%) out of 15 agreed that prices are reviewed after a period of not less than 3 years. This may imply that the review exercise is carried out not to address the continued relevance of the price system but for some other remote reasons. According to Comez and Kiessling (2012), price reviews, if properly carried out benefits the entity through crafting of best prices that enables full recovery of costs. The pricing system will reveal the correct value of services being offered to the users at any given point. The Commission's review method seems to fall short of this. The data has a mean of 7.5 and a mode of 8 agreeing to the fact that prices surely are reviewed after more than 3 years. Taking an overall look, all the respondents agreed that the review period is anything beyond three years after setting the prices.

**(iv) Other reasons other than passage of time**



The data shows that 8 (53.33%) out of 15 strongly agreed while 7 (46.67%) agreed that the review exercise is carried out after happening or non happening of some remote non-price factors. Empirical application may imply factors like currency change, inflation, change in management, among others. The data shows that these are not time-based events but independent variables. The data has a mean of 7.5 and mode of 8 agreeing that passage of time does not in itself dictate price reviews. This represents a 100% agreement that prices are reviewed only after some unknown events that directly or indirectly affects the price structure.

**Question 11: Do you agree with the review policy in use at the moment?**

Below are the responses obtained from the respondents pertaining to the above question.

**Table 4.7: Responses on the current review policy**

Factor	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Total
Frequency	0	3	0	8	4	15
Percentage	0	20%	0	53.33%	26.67%	100%

**Source: Research Data 2014**

The respondents indicated that only 3 (20%) agreed while there was no one who indicated being unsure on the current review policy. However, 8 out of 15 (53.33%) disagreed while 26.67% strongly disagreed with the way prices are reviewed at the moment. The data has a mean of 3.75 and mode of 8 disagreeing. Hinterhuber (2012) noted in his research paper that reviews are supposed to be carried out on an annual basis at most, depending on the economic balances prevailing in the national environment. If the macro-economic environment is so volatile, then the policy should allow for regular reviews to be carried out, and price adjustments effected, if need be (Hinterhuber, 2012). In trying to hypothesize price review policy and the pricing policy, a conclusion can be drawn that the two are well correlated. The absence of the pricing policy, or if available, its obscurity makes the review exercise a none-event.

**Question 12: Are variance analysis carried out and causes of variations investigated?**

Presented below is a tabular show up of the data collected by the researcher.

**Table 4.8 Variance Analysis**

Factor	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Total
Frequency	0	2	5	4	4	15
Percentage	0	13.33%	33.33%	26.67%	26.67%	100%

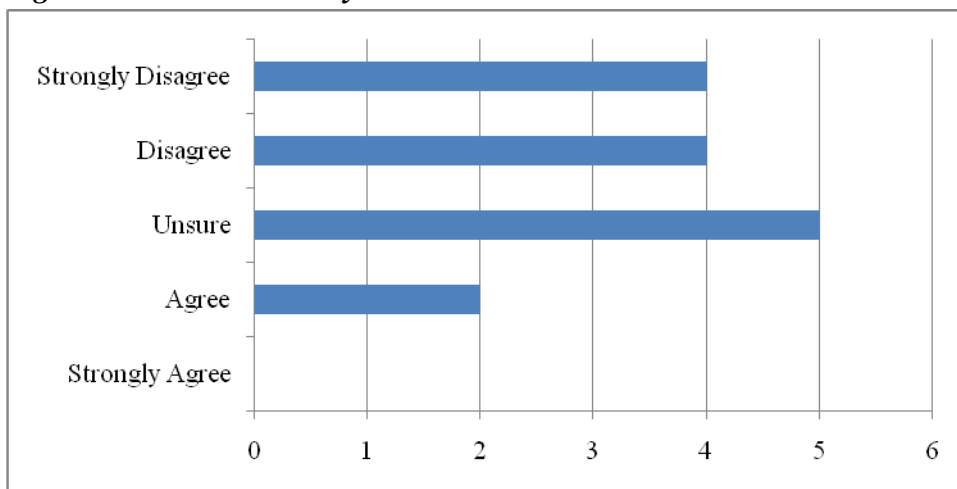
**Source: Research Data 2014**

From the Table above, only 2 (13.33%) out of 15 respondents agreed that variance analysis is carried out and corrective measures taken in the JSC. Possibly these could have come from

the Accountants who are expected to carry out these tasks. Of them all, 5(33.33%) indicated that they are not very sure whether such analysis is carried out. A total of 8(53.33%) responses showed that they are convinced that these are not done at all. It is most likely that these respondents are non accountants, and their argument should not be coming from financial statements analysis, but have never heard such an issue in the annual financial reports. The data has a mean of 3.75 and a mode of 5 disagreeing. Overall, based on these findings, a conclusion can be arrived at that variance analysis are not done. This is as a result of the fact that majority of the respondents could not agree on them being done.

The above information has also been statistically presented on a graph as shown below:

**Figure 4.6 Variance Analysis**



*Source: Research Data 2014*

**Question 13: What factor(s) most affects the financial performance of the Commission?**

From the data gathered, below are the responses obtained regarding factors that affect Financial Performance of the Commission.

**Table 4.9: Factors that most affects the financial performance of the Commission**

Factor	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
Pricing Policy adopted	4	8	0	3	0
Other factors	2	6	0	5	2

*Source: Research Data 2014*

**(i) Pricing Policy Adopted**

Data in the above table as collected indicated that 4(26.67%) strongly agreed while 8(53.37%) agreed that the pricing policy adopted affects the financial performance of the JSC. The data shows that no one was unsure while 3(20%) disagreed that financial performance is affected by pricing policy adopted. The data here has a mean of 5 and a mode

of 8 agreeing that pricing policy affects the financial performance. The Conceptual Framework Taskforce (2012) indicated that a pricing policy adopted by the entity spells out whether or not the entity will find it hard to financially manoeuvre for survival. This was also supported by the New South Wales Treasury (2010) which indicated that a pricing policy for efficient financial performance is one that strengthens the link between planning, funding, monitoring and reporting. This supports the notion that the pricing policy really affects performance. Those that disagreed may have considered other factors like political set up, ability to pay, among others. Since the majority (80%) are of the view that pricing policy adopted affects the financial performance, it can be concluded that surely it really affects as this is far more than the average.

### **(ii) Other Factors other than the Pricing Policy**

From the data above, 2(13.33%) out of 15 indicated that they strongly agree while 6(40%) agreed that there are other factors that have a greater effect on financial performance outside of the pricing policy adopted. However, 5(33.33%) out of 15 disagreed while 2(13.33%) strongly disagreed that other factors affects financial performance more than the pricing system in use. This data has a 3.75 mean and a mode of 6 agreeing. Overallly, 8 (53.33%) showed that they agreed with the fact that there are other factors other than pricing that affects the financial performance of the Commission. Also, 7(46.67%) indicated that they disagreed with this. This then brings a tier on whether other factors play a leading role on affecting financial performance or the pricing policy.

### **Question 14: What percentage does the internally generated revenue (retention) constitute towards the aggregate annual revenue of the JSC?**

Below are the responses obtained by the researcher regarding revenue composition.

***Table 4.10: Internally generated Revenue***

<b>Revenue</b>	<b>Less than 40%</b>	<b>40% to 60%</b>	<b>61% to 80%</b>	<b>More than 80%</b>	<b>Unsure</b>	<b>Total</b>
Frequency	0	1	8	1	5	15
Percentage	0	6.67%	53.33%	6.67%	33.33%	100%

***Source: Research Data 2014***

The data collected shows that only 1(6.67%) out of 15 indicated that the revenue should be less than 40% while yet another 6.67% said it should be more than 80% of total revenue (including appropriations). However, 53.33% indicated that the revenue is between 61% and 80% of the aggregate revenue while 33.33% showed that they are not quite sure, of which theses could be magistrates who do not take part in the revenue analysis and collection but

accountants and managers. This can mean that since the majority (53.33%) indicated that it should be in the range of 61% to 80%, this implies that the JSC, if the appropriations from the central government failed to materialise, it can fairly sustain itself from the revenue it generates. A conclusion thus can be made that the revenue internally generated constitute between 61% to 80% of total revenue.

**Question 15: Would you recommend the current pricing policy to be the best practice?**

The Table below shows the responses obtained from the participants regarding whether the current pricing system can be taken as the best practice.

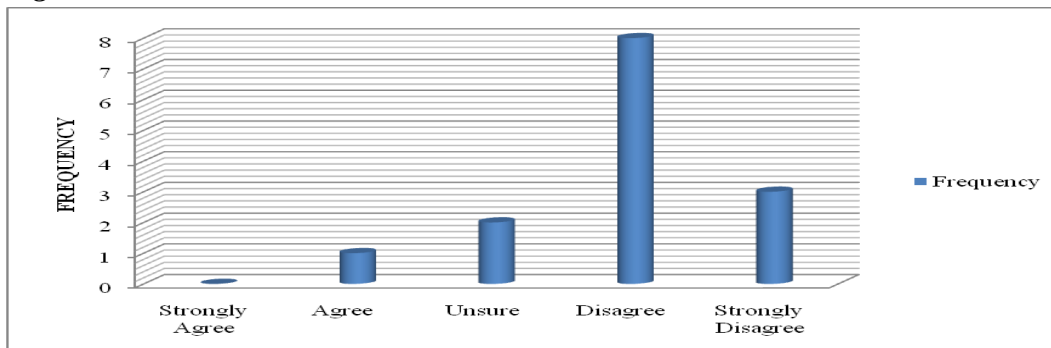
**Table 4.11: Best Practice**

Factor	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Total
Frequency	0	1	0	8	6	15
Percentage	0	6.67%	0	53.33%	40%	100%

**Source: Research Data 2014**

The data above shows that 1(6.67%) out of 15 agreed that the current pricing policy is the best for the Commission. However, 8(53.33%) disagreed while 6(40%) strongly disagreed on this aspect. There was no one who was not quite sure about whether the current pricing policy can be taken for the best practice for the Commission. The data has a mean of 5 and mode of 8 disagreeing that the current pricing policy can be taken as the best practice. Overall, 93.33% of all respondents could not agree with the current pricing policy, hence a conclusion can be drawn that the current pricing policy may not be the best for the Commission. According to Schefers et al (2010), the management of any entity in any sector need to make sure they apply the best pricing practice if the entity is to survive the test of time. In adding to what Schefers et al (2010) noted, Caricano (2014) indicated also that the best pricing practice is a pricing method that facilitates the full recovery of operating costs. Of all the respondents except 1, the general feeling is that there are some slacks in the pricing system, hence cannot recommend it to be the best. This data was presented statistically on a graph as shown below.

**Figure 4.7: Best Practice**



**Source: Research Data 2014**

The information presented above shows that majority of the responses disagreed with the current pricing policy, and thus could not recommend this in the best interest of the Commission.

**Question 16: What other factors would you recommend the Commission to consider in coming up with the best practice?**

Below are the responses obtained for the above question.

**Table 4.12: Other factors to consider**

Policy	Strongly Agree		Agree		Unsure		Disagree		Strongly Disagree		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Political	0	0	3	20%	0	0	8	53.33%	4	26.67%	15	100%
Social	2	13.33%	7	46.67%	0	0	5	33.33%	1	6.67%	15	100%
Macro Economic	6	40%	9	60%	0	0	0	0	0	0	15	100%
Income per capita	2	13.33%	8	53.33%	5	33.33%	0	0	0	0	15	100%

**Source: Research Data 2014**

**(i) Political Factors**

The data above shows that 3(20%) out of 15 agreed that political factor has to be considered when coming up with the pricing system. This was coming in harmony with Walsh et al (2012) who noted that the influence of politics of the day shapes the direction of all systems in public sector entities. Walsh et al (2012) was also supporting Munro (2011) who indicated that government entities are mostly affected by the influence of politics such that their pricing structures may end up lacking economic sense at all. However, 8(53.33%) disagreed; and 4 (26.67%) strongly disagreed about taking on board the political factor. The data has a mean of 5 and a mode of 8 disagreeing. This shows that overall, 12 (80%) disagreed on taking the political factor into account when setting out the pricing tone for the Commission. These were coming in agreement with Egwakhide (2012) who noted that the pricing policy should target financial objectives of the entity.

**(ii) Social Factors**

Only 2 (13.33%) out of 15 respondents strongly agreed while 7 (46.67%) agreed that social factors should be taken on board when coming up with a price strategy. However, 5 (33.33%) disagreed and 1 (6.67%) strongly disagreed with this election. The data has a mean of 3.75 and a mode of 7 agreeing. This can overall be interpreted as 9 (66.67%) of all respondents agreeing to the inclusion of the social factors in determining the best pricing strategy. This comes in harmony with the Public Sector Pricing theory by Akiva (2008) which indicated that the prices should be set to maximise social welfare through striking a balance between

social marginal cost and social marginal benefits. Those that disagreed (33.33%) may have considered only financial factors only.

### **(iii) Macro Economic Factors**

The data in the above table shows that 6 (40%) strongly agree and 9 (60%) agreed that macro economic factors should be at the centre of the pricing strategy the Commission is going to employ. None of the respondents disagreed to this, giving an overall 100% show up in support of the macro economic factors. The data has a 7.5 mean and a mode of 9 agreeing. These were agreeing with Carricano et al (2010) who noted that the pricing policy should take into account economic trends prevalent during any given period. Egwakhide (2012) added to this by saying that when an entity seeks to maximise social welfare, that will result in it being economically efficient.

### **(iv) Income per Capita Factor**

The information reveals that 2 (13.33%) strongly agreed and 8 (53.33%) agreed that level of income per individual (portion of the gross domestic product allocated to an individual in a state) need to be taken into account. However, 5 (33.33%) were not sure as to whether or not this could be an important variable on pricing. This could be attributed to lack of enough knowledge about the importance of this factor. There was no one who did not clearly disagree with this factor. The data has a mean of 5 and a mode of 8 agreeing. This on overall analysis represents a 66.67% agreeing, showing that income per capita, a statistical factor that determines capacity to pay of the generality should be taken into account. This was coming into agreement with Schefers et al (2010) who indicated that the price system should first consider the ability to pay of the target clientele.

## **4.4 Interviews**

The researcher conducted interviews with other members of staff of the JSC whom, according to the researcher's judgement and knowledge, are relevant for this study, but were not part of those to whom questionnaires were first issued.

### **4.4.1 Response Rate**

The scheduled interviews were 6 in total; however 1 Magistrate and 1 Taxing officer were not available for the interview due to work commitments. This resulted in 66.67% response, a rate that is acceptable under research as shown earlier.

### **4.4.2: Interview Questions Responses**

**Question 1: Do you feel the pricing policy adopted has any effect on the financial performance or there are other more important factors that affect the financial performance?**

Respondent 1 indicated that in as much as there are other factors that affect financial performance, the most pronounced is the pricing policy adopted. This was also supported by respondent 2, who added that other factors have in most cases an indirect effect whereas the pricing policy has a direct effect. Respondent 3 also supported the same idea and added also that it is through the pricing policy to be adopted that an entity can make future forecasts and projections based on anticipated inflows and outflows that are dictated by the pricing policy of the firm. Respondent 4 however indicated that in as much as the pricing policy affects the performance, the influence of the general economic quagmire led to the prevailing financial performance of the JSC. He also indicated the influence of the silent and invisible hand, politics in determining prices to charge. Respondents 1, 2 and 3 were coming in agreement with what was indicated by Hinterhuber (2013) who noted that in most cases, it is the pricing policy of the entity that indicates the direction of its financial performance.

### **Question 2: What do you think is the main pricing objective of the Commission?**

The first respondent was of the feeling that the JSC seeks to satisfy the citizens through provision of court services irrespective of the costs associated. Respondent 2 noted also that the financial dependence syndrome in most of the public sector entities led them come up with policies that minimise public accountability in terms of revenue collection and expenditure. This was said to have resulted in pricing objectives that ignores associated costs and focus on the provision of services. The third respondent indicated that it seems that JSC is worried much about pleasing the public than any other price factor. The fourth respondent indicated that the Commission seem to lack enough stamina to manage the pricing system. In expounding this, the respondent indicated that the Commission appears as if it acts on the influence of some remote signals outside the judiciary. The last respondent echoed similar sentiments as those from respondent 4; however, she added that this behaviour compromises the independence of the judiciary. Conclusively, possibly the last two respondents were referring to the political arm that could be directly or indirectly influencing the whole pricing system.

### **Question3: After how long are the prices reviewed, and what circumstances warrants a price review?**

One respondent indicated that she was not quite sure of the period it takes before a review is affected and also the circumstances that ignite a review exercise. The second respondent revealed that what he is certain of is the minimum period the Commission takes before a review is conducted. He noted that it takes not less than 5 years for such an exercise to be conducted. This respondent cited an example of the current price structure which she indicated that it has been like that for the past 6 years. Respondent 3 indicated that the review exercise in the Commission is not a time variant but suggested that it could be as a result of change in national currency or some other national events that may make the prices meaningless. Respondent 4 and 5 gave responses that were similar in that they indicated that

time period is not really a factor when it comes to the issue of review. They said that reviews are only carried out when there is a change in major operating environmental factors, like currency changes or inflation. Respondent 5 added also that same prices will carry on year after year if there are no such clear cut changes in some enabling parameters. Munro (2011) indicated in his publication that reviews should be carried out at most annually to ascertain the continued relevance of the prevailing pricing system. This seems to be at divergence with the system in use by the JSC.

**Question 4: In your own view, during the period 2011 to 2013 how has been the Commission financially performing?**

Responses obtained from all the respondents indicated that the Commission did not perform well during the period in question. However, what differed were the causes of the poor financial performance. The first respondent indicated that the poor performance was caused by the general economic hard times the country has been going through. This did not spare the Commission at all. This respondent however, though valuable but was not really specific of what constitute national economic challenges, considering that such a topic is highly subjective. The second respondent revealed the issue of the macroeconomic factors as the main cause, though exacerbated by the pricing system that has been in place since 2009 which also fails to address the financial quandary the Commission has been going through. The third respondent indicated that the Commission had all the potential to collect as much revenue as possible, good enough to address the financial needs of the institution. Poor behaviour financially has been and is still the Commission's failure to come up with proper policies that fully harness the financial predicament it is exposed to. The last respondent attributed the poor performance to the political system which oversees the operations of public sector entities. The respondent indicated that the system would have made directives to effect a better pricing system in the Commission. Cutting across the responses, a conclusion can be drawn that poor performance has been as a result of the influence of the pricing system that failed to be at par with market and macroeconomic changes taking place year after year. This was coming in line with what was indicated by Avlonitis and Indounas (2009) and later supported by Hinterhuber (2013) that in determining performance, financial factors takes the lead, followed by non financial factors. Hinterhuber (2013) noted that pricing policy need to be visited regularly so as to keep them up to tune with the overall pricing objectives.

**Question 5: In coming up with the best pricing practice, factors that are generally considered include full cost recovery, political factors, income per capita (ability to pay), and justice to all (service delivery). Which one(s) would you recommend as the most crucial factor for the best practice?**

The first respondent indicated that of all these, full cost recovery is the most important factor to be given priority, followed by the ability-to-pay. In justifying their responses, he indicated that justice is not, in real terms, affected by the price but other non monetary factors like partisanship, culture, corruption, among others. The price charged is the last factor to be talked about. The second respondent indicated that since the Commission is a non profit making enterprise, service delivery should be the main factor to consider, factoring in the fact



that it is also supported financially through the national budget. He also indicated that recovery of costs does not really matter as the deficiency will be supplemented through the appropriation. The fourth respondent gave priority to the ability to pay. He indicated that in as much as other factors are important but the best pricing policy is one that focuses on the ability of the generality to pay for the service without hassles. The last respondent agreed with respondent 4; however she added that the best pricing policy should strike a balance between cost of service and ability to pay. She went on to say that such a policy will result in price structures that foster financial efficiency and public welfare at the same time. The researcher agreed with the first, fourth and fifth respondents. As indicated by Schefers et al (2010), the best price is one that facilitates full recovery of costs without earning a profit, that is breaking even.

#### 4.5 Secondary Data Analysis

The Table below shows the financial figures for the period 2011 to 2013

**Table 4.14 Income and Expenditure**

<b>Year</b>	<b>Expenditure Target</b>	<b>Total Revenue Collected</b>	<b>Surplus/ (Deficit)</b>
2011	\$6,800,000.00	\$5,240,000.00	(\$1,560,000.00)
2012	\$7,360,000.00	\$5,335,000.00	(\$2,025,000.00)
2013	\$7,712,000.00	\$5,423,000.00	(2,289,000.00)

*Source: JSC Financial Reports for the Periods 2011 to 2013*

From the data presented above, it shows that there is an imbalance between the anticipated expenditure and the revenue collected. The revenue has been increasing at an insignificant rate compared to the expenditure. The revenue figures for the period are relatively stagnant compared to the expenditure. This could be aggravated by the fact that expenditure follows the market trends while revenue follows the revenue collection techniques that is in the Commission's disposal.

#### 4.6 Conclusion

This chapter was focusing on the presentation and analysis of research findings obtained from the respondents. The data collected was presented through the use of tables, and analysed by the use of charts and graphs. Questionnaires were distributed to respondents of different positions, as long as they were considered relevant for the purpose of pricing of services in the Commission. Interviews conducted also followed the same procedure as the questionnaires. The forthcoming chapter looks at the researcher's conclusions and recommendations to the Commission.

## **CHAPTER FIVE**

### **CONCLUSIONS, RECOMMENDATIONS AND AREAS FOR FURTHER RESEARCHES**

#### **5.0 Introduction**

The primary objective of this chapter is to present in summary form all the contents of previous chapters and major research findings; and draw out conclusions, suggest possible recommendations and invigorate areas for further researches in the JSC. The main thrust of this research is to investigate the effects of the pricing policy on financial performance of public sector entities, focusing on a case study of the Commission.

#### **5.1 Chapter Summaries**

The first chapter focused on the signs and origins of the research problem that prompted the researcher to closely carry out a case study of the situation in the Commission. The problem was as a result of the pricing policy adopted and its effects on the financial performance of the Commission. The researcher sought to address the problem through the objectives of the study; which are: to analyse the pricing techniques that are used by public sector entities and their relevance to the JSC; to assess the implementation and administration procedures of an efficient pricing policy; to analyse the impact of a pricing policy on access to justice and establishing the pricing policy review procedures, and the best practice that will assist in addressing the effects of the pricing policy on the financial performance in the Commission. Research questions were also set out, together with the limitations of the study. The research had the delimitations that include financial performance of the JSC only and the data collected was only to be obtained from internal personnel; and used for this research study only.

Related literature was reviewed in the second chapter, taking from the various literatures in the public domain that relates to the area under study. A theoretical framework that helps to portray the hypothesis between the pricing policy and the financial performance, and various theories that affect both were explained. Carricano et al (2010) indicated that the pricing policy is a variable of numerous conditions that ranges from the value of the product, product development costs, economic trends, level of demand, and other market factors. The theories reviewed explain these factors and their influence on financial performance. The chapter went on to fragment all objectives as indicated in the first chapter including various pricing methods in the public sector and their applicability to the Commission.

Chapter three focused on the methodology of the research. The study was carried out using the descriptive research design, a design that was explained by Osman et al (2012) to be the best for those researches where the researcher seeks to determine the characteristics of a

certain phenomena that underlie a particular problem. Also, both qualitative and quantitative research methods were used. The researcher used a sample size of 20 respondents, with the simple random sampling method being made use of. Primary and secondary data was collected by the use of questionnaires and interviews. Secondary data was also collected from the financial reports of the Commission.

Research results were collected through questionnaires and interviews; and presented in chapter four. This data was presented and analysed through the use of pie charts, tables and graphs. Interview responses were noted and presented qualitatively.

## **5.2 Summary of main findings**

- ✚ The research found out that the Commission is using a unique pricing system that is not consistent with any of the available pricing policies used by most public sector entities. The policy is not documented, neither manually nor electronically, hence no source of future reference pertaining to how the pricing structure is crafted. The pricing policy also falls short of all theories reviewed except for the Contingency theory that allows for any method to be followed as long as it is acceptable to the management. The policy objectives at the moment seek to satisfy consumers irrespective of the cost of offering that service. The treasury instrument, the Judicial service Act, and the PFMA are all silent about how the Commission should go about setting up a price structure.
- ✚ There is no clear cut implementation and administration procedures neither lay down nor followed when a new lease of price structure is being introduced. All respondents disagreed with the current implementation and administration processes being used.
- ✚ Prices are reviewed not as a time variable, but as a variable of some other remote factors. The Commission currently is making use of the same prices gazetted in 2009. Since then, prices had never been reviewed. There is no review manual, neither review steps for the prevailing price structure. Circumstances that warrants a price change rotates around currency change or inflation. Of all the respondents, no one agreed to the review system currently being used. The Commission has been poorly performing financially during the period 2011 to 2013.
- ✚ The responses indicated that access to justice in as much as it is affected by the pricing policy; however, cost of justice is not such a strong factor to deter access to justice per se. What make the justice system expensive are legal practitioners, who in any case optional. Those who seek justice surely find it irrespective of the cost. Thus unreasonable price structures do not in any way enhance revenue through an increase in the number of those affording to pay for justice. This resulted in an empirical conclusion that the price structure do not necessarily affects access to justice.

- ✚ The best pricing policy should be one that addresses at least marginal costs, and at most full cost of offering the service. The respondents could not agree with the current policy to be taken as the best practise. The best policy consider factors like the true cost of offering the service, the clientele's ability to pay, and other macro economic factors. The policy must give review guidelines and procedures and this will facilitate transparency.

### **5.3 Research Conclusions**

The pricing policy employed by the JSC is obsolete, hence could not perfectly harness the financial quagmire the Commission has been passing through. The Commission has full capacity to be self sustained financially, without it depending on the appropriations. The absence of a documented pricing policy makes the whole exercise a non event. The culture of fiscal reliance has led to the Commission underrating its financial capacity. Poor financial performance was to a larger extent exacerbated by the use of a “unique” pricing system that does not take into account the influence of cost of offering the service. Focusing on the service provision without considering the cost of that service resulted in the financial fiasco the Commission has been swimming through. Failure by the Commission to review prices consistent with passage of time so as to test the continued relevance of the prices charged made the price structure outdated at any given time. This is also made worse by the absence of a review procedure manual. Access to justice for all has been noted to be a weak influencing factor for reduced prices as it does not directly result in more people coming in to access justice.

### **5.4 Recommendations**

This study avails the following recommendations based on the findings obtained and the literature reviewed:

The Commission must craft, document and implement a pricing policy that clearly sets out how the prices are to be set. The price structure should, at any given point, balance the social costs against social benefits. The price structure must at least be able to cover for marginal costs; otherwise, it should address the full cost of providing the service. The Commission must adopt tried and tested pricing strategies, for which the break even pricing or the marginal cost pricing strategies are recommended by this study. The policy must balance between financial efficiency (social costs) and access to justice (social benefits), without negatively affecting the other. This policy will result in more revenue being collected and fosters financial self sustenance. The study recommends that the policy so adopted must have a written procedure manual of how a price structure should be implemented and administered. The research also recommends a systematic implementation of a price change over a period of time rather than the current overnight change in the event of new prices being introduced. The pricing policy should endeavour price relevance at any given time. The pricing policy must also address price reviews through a review procedure manual. The price structure must be reviewed at most annually to assess the price relevance during any given period. The procedures for reviewing prices should be documented and approved by management.

### **5.5 Suggestion for further research**

The study recommends further researches to be carried out in detail on the impact of the pricing system on access to justice. Further research may also be necessary on the effects of revenue collection methods being used by the JSC on financial performance.

### **5.6 Conclusion**

This chapter gave a summary of the whole research study. It also gave a summarised format of the research findings before coming up with conclusions and recommendations on these findings and also in line with the research objectives.

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## APPENDIX “A”



### COVERING LETTER TO THE RESPONDENTS

Midlands State University  
P O Box  
Gweru  
24 March 2014

The Secretary  
Judicial Service Commission  
P O Box 870  
Harare

Dear Sir/Madam

#### **Re: APPLICATION TO CARRY OUT A RESEARCH PROJECT**

I am hereby making an application for authority to carry out a research project with the JSC. I am a final year Bcom. Accounting (Honours) Degree student at Midlands State University. The topic of my research is “*An investigation into the effects of the pricing system on financial performance in public sector entities*” taking the JSC as my case study. The delimitation of my study is the period 2010 to 2013 financial years. As such, I am humbly requesting for your response on the attached questionnaire. All information you shall provide will be handled as confidential and for academic purposes only.

Thank you for your co operation.

Madzivire Jackford

Student Number

R113149A

## APPENDIX “B”



# FACULTY OF COMMERCE

## DEPARTMENT OF ACCOUNTING

*An investigation into the effects of the pricing system on financial performance in Public Sector entities.*

*A case study of the Judicial Service Commission*

### Instructions to Respondents

- ✚ Fill in the required information in the space provided.
- ✚ For Likert scale type questions, and multiple choice questions, indicate your answers with a tick (✓) in the appropriate box provided.
- ✚ For open-ended questions, express yourself freely and fully in support for your answer.
- ✚ Any terms not understood by respondents and not featuring in the attached document can be referred to the researcher for further explanations and clarifications.

1. Listed below are the most commonly used pricing strategies in the public sector. Which one of them is the Commission currently using?

Pricing Policy	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Break Even Pricing	5	4	3	2	1
Full Cost Pricing	5	4	3	2	1
Marginal Cost Pricing	5	4	3	2	1
Profit Based Pricing	5	4	3	2	1
Other	5	4	3	2	1

2. The following are the pricing objectives public sector entities are mostly concerned with. Of these, which one is the Commission's current pricing objective?

Pricing Policy Objective	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Profit	5	4	3	2	1
Full Cost Recovery	5	4	3	2	1
Variable Cost Recovery	5	4	3	2	1
Service Provision	5	4	3	2	1
Other	5	4	3	2	1

3. Does the JSC have powers to set prices for its services?

Strongly agree	5
Agree	4
Uncertain	3
Disagree	2
Strongly disagree	1

4. What do you think the Commission should adopt as the main pricing objective?

Pricing Policy Objective	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Profit	5	4	3	2	1
Full Cost Recovery	5	4	3	2	1
Variable Cost Recovery	5	4	3	2	1
Service Provision	5	4	3	2	1
Other	5	4	3	2	1

5. Does the JSC have a pricing policy manual?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Frequency	5	4	3	2	1
Percentage					

6. In your own view, do you subscribe to the pricing policy implementation and administration procedures in place at the moment?

Strongly Agree	5
Agree	4
Uncertain	3
Disagree	2
Strongly Disagree	1

7. In your own opinion, do you think the pricing policy really affects access to justice?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Frequency	5	4	3	2	1
Percentage					

8. Do you think the Commission should set its prices in line with value of claim or cost of claim to the judiciary?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Value of Claim	5	4	3	2	1
Cost	5	4	3	2	1
Other	5	4	3	2	1

9. Is there any policy review procedure manual?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Frequency	5	4	3	2	1
Percentage					

10. After how long does the Commission review its prices ?

Period(Years)	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Annually	5	4	3	2	1
2 to 3 Years	5	4	3	2	1
More than 3 Years	5	4	3	2	1
Other	5	4	3	2	1

11. Do you agree with the review policy the Commission is using at the moment?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Policy Review	5	4	3	2	1
Percentage					

12. Are Variance Analysis carried out and causes of variations investigated?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Frequency	5	4	3	2	1
Percentage					

13. What factor(s) most affects the financial performance of the Commission?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Pricing policy adopted	5	4	3	2	1
Percentage					

14. What percentage does the internally generated revenue constitute towards the aggregate annual revenue of the Commission?

Factor	Less than 40%	40% to 60%	61% to 80%	More than 80%	Unsure
Frequency					
Percentage					

15. Would you recommend the prevailing pricing policy to be the best practice the Commission should continue following?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Frequency	5	4	3	2	1
Percentage					

16. What other factors would you recommend the Commission to consider in coming up with the best practice?

Factor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Political Factors	5	4	3	2	1
Social Factors	5	4	3	2	1
Macro Economic	5	4	3	2	1
Income per Capita	5	4	3	2	1
Other	5	4	3	2	1

Thank you for your co operation.

# APPENDIX “C”

## INTERVIEW GUIDE

Below is a list of questions the researcher is going to ask his target interviewees. The interviewees shall be made up of the management, the secretariat, selected Heads of Departments, and other members of staff who shall be selected by the researcher to constitute a sample using judgemental and convenient sampling methods.

1. In your own opinion, do you feel the pricing policy adopted has any effect on the financial performance of the JSC or there are other factors more stronger than the pricing policy that affects the performance?
2. What do you think is the main pricing objective of the Commission?
3. After how long and why are the prices reviewed?
4. For the period 2011 to 2013, how has been the Commission financially performing?
5. In coming up with the best practice, factors that are generally considered include full cost recovery, political factors, per capita income, and access to justice. Which one would you recommend as the crucial factor for the best practice?

Thank you.