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DEPARTMENT OF ACCOUNTING

An analysis of the contributions and premiums collection systems and financial performance of Social Security Funds. A case study of NSSA Chinhoyi

GELDA ZINDONDA

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2018

APPROVAL FORM

The undersigned certify that they have and recommended for acceptance the dissertation entitled **“An analysis of contributions and premiums collection systems and financial performance off Social Security Funds. A case study of NSSA Chinhoyi”** submitted in partial fulfillment of the requirements of the Bachelor of Commerce Accounting Honors Degree at Midlands State University.

.....
Student	Date
.....
Supervisor	Date
.....
Chairperson	Date
.....
External examiner	Date

RELEASE FORM

NAME OF STUDENT

GELDA ZINDONDA

DISSERTATION TITLE

An analysis of the contribution and premiums collection systems and financial performance of Social Security Funds. A case study of NSSA Chinhoyi

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SGNED.....

DATE.....

ADRESS: 654 Chikonohono

Chinhoyi, Zimbabwe

Contact : 0771513238

Date April 2018

DEDICATIONS

I dedicate this dissertation to my mother Revayi Zindonda and my family.

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Firstly I would to thank God the author and finisher of my life for giving me courage to sail through this dissertation. I would like to sincerely give my gratitude to my supervisor Ms Mutangi for her tireless effort in guiding and correcting to make this project a reality. I would like to give thanks to my mother Revayi Zindonda for financial assistance throughout the past four years of my degree programme and to my family members who have been very supportive.

Lastly, I would to give thanks to NSSA for assisting me with their participation in data collection.

ABSTRACT

The research sought to analyze the contributions and premiums collection systems and their impact on financial performance in Social Security Funds being a case study of NSSA Chinhoyi. Some researchers were of the view that there is a relationship between collection systems and financial performance of Social Security Funds. However, other authors argued that there is no relationship, the causes of poor financial performance is influenced by other factors besides collection systems. In conducting the research, the researcher used descriptive research design which uses both qualitative and quantitative research instruments. Data was collected through the use of questionnaires and conducting interviews. The data collected was analyzed through the use of excel and the analysis indicated that there is need for effective collection system so as to improve financial performance. The researcher also concluded that there are other factors that influence financial performance besides collection systems such as corporate governance, internal controls and accounting practices that a firm adopts. The researcher recommends that there is need to have effective collection systems to ensure total compliance and remittance so as to improve financial performance of social security organizations.

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CHAPTER 1

INTRODUCTION

1.0 This chapter outlines the background of the study, statement of the problem, main research topic, research objectives, research questions, limitations of the study, assumptions and summary of the chapter. The research will be focusing on the analysis of contributions and premium collection systems and financial performance of Social Security Funds.

1.1 Background of the study

Contribution collection and compliance constitutes a core function within the social security systems. It plays an important role in attaining the overall objectives and in fulfilling the mandate of National Social Security Authority (NSSA). Hence there is need for continual assessment on the payments being due towards the pension fund, thus to enable its sustainability and continual existence of the Social Security fund (Zhou and Chilunjika, 2013).

Different views have been given by different scholars on the impact of collection systems on financial performance of social security organizations. Authors such as Kamolo (2014), Zhou and Chilunjika (2013) and Uwera (2013) have identified that a collection system that an organization implements plays a vital role on the financial performance. However, other authors such as Klumpes (2011) and Kowaleski (2011) have identified that poor corporate governance practices and accounting standards that are adopted by social security organizations are the reason for poor financial performance. Hence there is need to carry out a research so as to determine the reason behind poor financial performances by social security organizations.

National Social Security Authority (NSSA) came into existence on 1 October 1989 according to the National Social Security Act Chapter 17:04. This body was tasked by government to provide social security and is made up of two schemes which are National Pension Schemes (NPS) and Workers Compensation Insurance Fund (WCIF). Employers are governed by the NSSA act (chapter 17:04) to remit monthly contributions towards the social security fund. Out of the few employers that are contributing towards the fund, they are failing to fully pay up contributions which results in lesser revenue being received towards the fund. Hence sustainability becomes challenge for NSSA as an organization.

NSSA as an organization has adopted the Self Assessment System (SAS) for the collection of contributions. According to Udin and Wahab (2013) SAS is defined as a collection system where the tax payer (contributor) make their own assessment of their business and report their taxable income for the relevant period covered by the business, with permitted deductions and exemptions and calculations for liability or net loss for the period. This type of collection system that is adopted has left a gap where by an employer can easily under report the earnings they have earned for a certain period, register a few employees thus reducing contribution liability and even collusion to occur between employer and employee not to remit contributions to the Social Security Funds.

NSSA currently has 24 200 registered companies and of these 3 917 companies were removed from the register since they were not contributing; they had debts of \$354 million. Countless cases have been raised against payment evasion of contributions by companies which has resulted in penalties, for example Highlanders Football Club was sued by NSSA over contribution evasion, it was summoned to pay \$ 34 551, 85 with an interest rate of 5% per annum and another example that can be cited is Winnerman Engineering Private Ltd which was summoned by NSSA to pay \$ 24 571, 42 with interest of 5% per annum as result of contribution evasion for the last 3 years. Since NSSA prepares its financial statement on accrual basis this has resulted in failure to breach the gap between contributions due and pensions paid.

According to Farrell and Shoag (2016) Social Security Schemes have an inherent problem of facing evasion of contribution payment and compliance since they are mandatory, they are viewed as to be a burden by either the employee and or employers.

Table 1. 1Debtors analysis for NSSA

Year	2016	2015	2014
Amount	\$249 847 488	\$213 738 304	\$176 335 267

(Source): Audited Financial statements (2015 – 2014), Annual Reports 2016-2015

Table 1.1 shows debtors for corporate companies that are outstanding at NSSA. Referring from the table above there is an increase between 2014 and 2015, debtors amount has increased by \$37 403 037 which was an increase of 17.5%. For the year 2015 to 2016 has further increase by amount of \$36 109 184 which was a percentage increase of 14.5%. Such variances indicate that

contributions (revenues) are tired up as debtors, which is as a result of evasion of payments and unregistered employees. According to press statement made by NSSA National Compliance Manager for the period 2011 to 2013 compliance rates by employers was 52%, 52% and 56% respectively.

Table 1. 2variance analysis of contributions budgeted and actual contributions

Year	Expected revenue	Actual revenue	Variance	Variance %
2014	\$350 000 000	\$248 287 450	(\$101 712 550)	(29.06%)
2015	\$350 000 000	\$242 761 480	(\$107 238 520)	(30.64%)
2016	\$350 000 000	\$258 923 493	(\$91 076 507)	(26.02%)

Source: Audited financial statements (2015 – 2014), Annual reports (2016-2014) and NSSA strategic plan (2013 -2016)

Table 1.2 shows contributions that were expected to be collected and the actual amounts that were received.

1.2 Statement of the problem

Performance of contribution and monthly premiums play a vital role on the sustainability and performance of social security organizations. As NSSA despite the measures put in place to ensure total compliance by organizations for remittance of contributions, contributors are not adhering to them. Hence this has caused high rate of penalty charges as a way of recovering amounts yet to be paid and at some point writing off bad debts.

1.3 Main research question

What is the impact of contributions and premiums collection systems on the financial performance of Social Security Funds?

1.4 Research questions

- a) What are the reasons for low contribution remittance compliance in social security organization?
- b) What are the practices used for invasion in collection of contributions and premiums?
- c) What are the types of collection systems that are used in social security organizations?

- d) What is the impact of collection systems on financial performance?
- e) What practices can be implemented to achieve total remittance of contributions?

1.5 Research objectives

The research is mainly focused on the investigation of contribution remittance towards NSSA. The objectives of the case study can be traced into the following research objectives:

- a) To determine reasons for low contribution compliance in social security organizations
- b) To analyse methods used to invade contribution collection
- c) To establish strengths and weakness in the contribution collection systems
- d) To determine the effect of collection systems on financial performance
- e) To determine possible solutions to improve contribution collection systems and compliance

1.6 Significance of the study

To the student- the research is carried out as partial fulfillment of the requirements of the Bachelor Commerce Honors Degree in Accounting

To Midlands State University-the research can be used as a source of reference by other students doing similar researches

To NSSA – results and conclusions made in the study will assist NSSA to improve performance on revenue collection systems.

1.7 Assumptions

Information provided by respondents is unbiased, precise and show the true picture of the activities at the organization. The sample that was used represented the entire population.

1.8 Limitations of the study

- The data that was used to initiate the research was done on sample basis; sampling has an inherent limitation since it is a reflection of part of the population. It was difficult to look at the entire population
- The research was confined to one regional office and two sub offices due to lack of adequate time and finance to look into other 5 regions

- The unwillingness of the organization to disclose some of its information which was confidential

1.9 Delimitation of the study

The research was mainly focused at one of the NSSA regions, Chinhoyi which is located in Mashonaland west. The research was only confined on the performance of contribution collection systems at NSSA and cover events from period 2013 to 2016.

1.10 Definition of terms

Contributions – this is a monthly payment made by employers on behalf of the employees to the authority

Remittance – payment done by employers to settle an obligation due

Compliance – the extent to which employers meet their contribution obligations

NSSA – National Social Security Authority

Premium – monies remitted to insure employees in respect of the WCIF scheme

Revenue – according to IFRIS 15 revenue is income arising in the course of an entity's ordinary activities.

1.1.2 Chapter summary

Chapter 1 has covered the background of the study, problem statement, objectives of the study, research questions, significance of the study, assumptions, delimitation, limitations and definition of key terms. The next chapter reviews the literature relevant to the study.

CHAPTER 2

LITREATURE REVIEW

2.0 Introduction

This chapter reviews past studies that are relevant to the topic from other scholars'. The chapter focuses on the reasons for low contribution compliances, methods used to evade contribution payments, types of collection systems, empirical review and lastly the summary of the chapter.

2.1 Theoretical Review

2.1.1 Overview

According OECD (2013), contributions are payments that are done by the employer to social security organizations on behalf of employees to ensure a future benefit when employee retires through a defined collection system, where the collection system is a process of gathering revenue in systematic fashion design. Financial performance is the measure of the firms' ability to generate income in the ordinary course of the business activities (Gitman and Zutter, 2012). According to Stanovinck et al (2015) the financial performance of social security organizations is affected by the effectiveness of the collection systems that an organization implements.

2.1.2 Contributions in social security organizations

Contributions are the money that gets invested into social security organizations to save for retirement (OECD, 2013 and Odi and Okoye, 2012). These payments that are remitted are used as a source of finance by social security organizations. Both employer and employee contribute, employer contributes a certain percentage towards the retirement benefit of employee and the employee pays a certain portion. Currently at NSSA the contribution rate is 7% of which half is paid by employer and the other half by employee and the maximum threshold is \$700.

These contributions have the following advantages for social security organizations:

- Source of income for the operations of social security organization
- These contributions can be used to invest in properties and or shares. For example NSSA has invested its contributions in NBS
- Contributions can be used as source of income by the government, government can borrow funds from social security to improve the economy

However, remittance of contributions can be influenced by the willingness and ability of contributors to meet their obligations. There is need to improvise methods to ensure total compliance and remittances of contributions.

2.1.3 Reasons for low contribution compliance by contributors

There are many variables that are affecting contributions remittance to NSSA, according to NSSA (2015) the following negative perceptions have been identified which has resulted in low contribution remittance:

- Lack of transparency on the activities of the organization
- Low payments made to beneficiaries
- Perceived abundance funds that are idle in the organization
- Failure to process claims in time
- Lack of proper education by beneficiaries
- Organization perceived as a burden by contributors

According to Uduma (2013) beneficiaries of the social security fund are concerned about the future of its operations and existence. The belief that the social security funds are inadequately financed and they might fail to meet their obligations when they are due, this influences the willingness to contribute towards the schemes. A further argument is raised by Bejakovic (2016) contributors believe that the benefits are inadequate, there is an unfavorable ratio of contributions paid and amount of pension received. Lymer and Oats (2010) further explains that due to negative perceptions arising, contributors end up understating revenues to reduce contribution liability.

However, in an economy where the informal sectors are dominant social security companies suffer since a few companies will be registered under the fund. Informal sector currently due to economic challenges have dominated the economy, 60, 6% of the economy of Zimbabwe is dominated by informal sectors.

The reliability of the organization determines whether the contributor is going to comply or not comply (Crawford and Huckles, 2013). If the collection system is weak, evasion is likely to be

high and spreading (McGillivray, 2008). The following were identified as the reasons for low contributions and premiums:

- The collection systems which are in use are failing to register firms, they are not able to identify new potential clients
- Failure to register some or all the employees
- Delaying or failing to remit payment for registered employees
- Classifying workers according to categories like contractual workers, casual and part time

Matsanganis and Flevotomou (2010) further identify the following reasons for evasion:

- ❖ Administrative complexity of the compliance procedures may cause employers to evade payment of social security contributions
- ❖ Unavailability of some records for some firms especially small firms , making it difficult to determine amount of contribution payable
- ❖ Employer assesses the risk of being caught for evasion and the possible penalty charges that they will be liable, if charges are low they would rather choose to forgo remittance and pay penalties when they are sued for evasion
- ❖ Government minimum pension guarantees can create a moral hazard for contributions that may choose to forgo contribution in order to take advantages of the guarantees.

A further argument was raised by Stack (2015) and Novakvic (2015), the reasons for contributions and premium evasions can be separated as those affecting the employee's willingness to pay, reluctant to report non-payment of contributions to authorize and those affecting employers motivation to contribute. They also identified the attitude of the government towards evasion as another reason for contribution evasion. The following reasons were identified for contribution and premium evasion:

- ❖ Low penalties
- ❖ Compliance costs
- ❖ Poor enforcement

2.1.4 Types of collection system used for collections, their strengths and weaknesses

Self-Assessment System

According to Okello (2014), Udin and Wahab (2013) Self Assessment Systems (SAS) can be defined as a collection system where the tax payers (contributor) calculate their own liability for the relevant period and necessary adjustments are done by the contributor. SAS is whereby the contributor is given a chance to calculate their liability, remit contributions due and as well producing evidence of payment to the authority when it is due. Under the SAS the contributors are expected to submit complete and accurate records.

Strengths and weaknesses of SAS

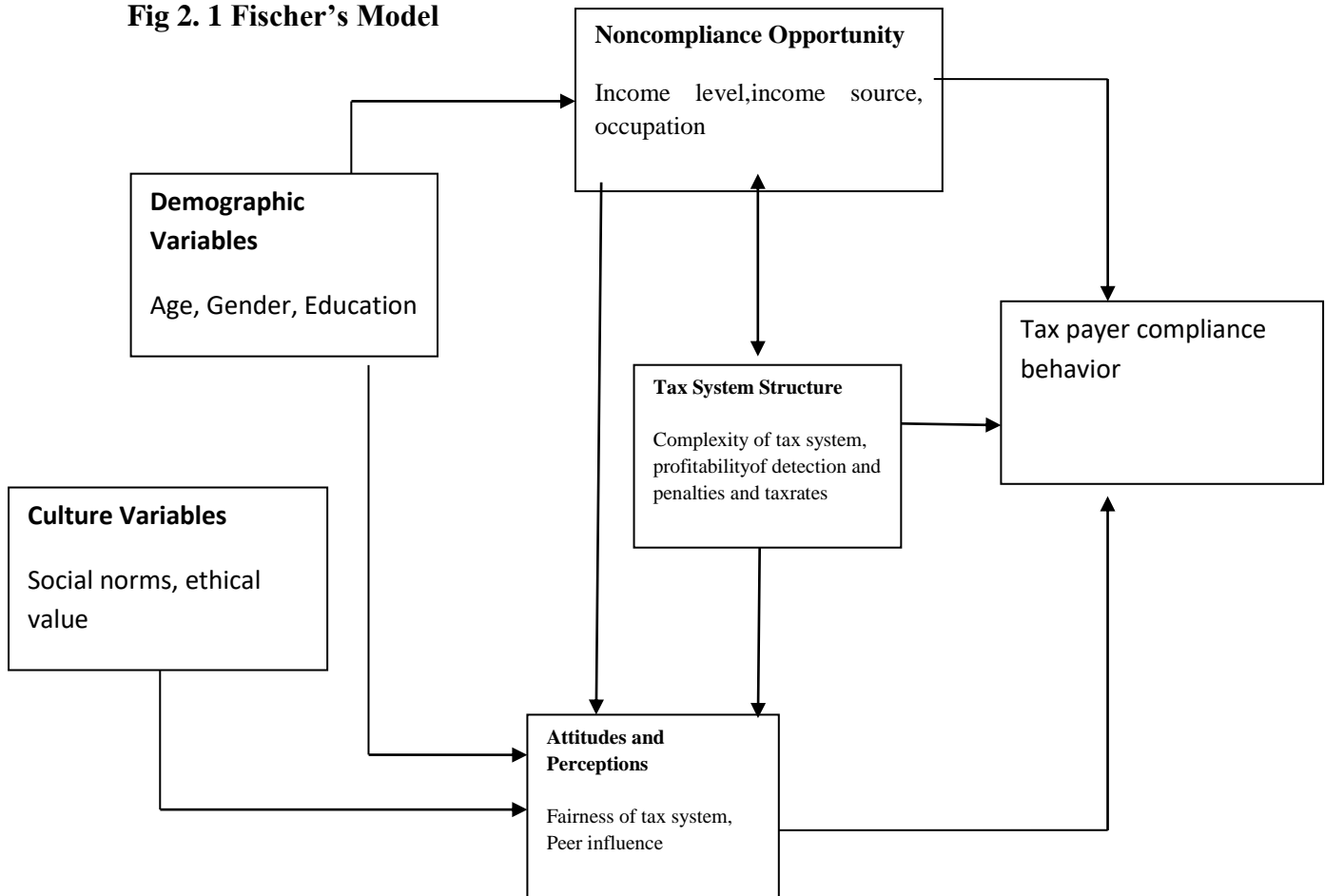
SAS systems for them to be effective the legislative framework should be fully supportive thus the levy's laws must provide the option where the contributors submit the returns which indicates how the liability due was calculated, filing returns in due time and meeting obligations when they are due (Sapeiei and Kasipillai, 2013 and Jacobs, 2013). Proper functioning of SAS depends on the voluntary compliance of contributors. According to Slemrod and Robinson (2011) for effective compliance the administrator should be able to collect revenue due and check on accuracy on amounts paid and also impose penalties for invading remittance.

Okello (2014) cites that collection systems that are implemented by social security organizations play a vital role in achieving total compliance and remittance of contributions. The following weaknesses are identified in the SAS collection systems:

1. Poor identification of the employees and employers
2. Employers reports and files stored manually, there is no advanced system installed to identify them. Should the manually captured data get distorted there is no back up
3. Frequency of reports, data for monthly by contributors are often poor, even when there is proper processing and storing of employer reports they are usually required after six months or annually. This leaves an opportunity for manipulation of data, the returns that are submitted might be biased since they are not reviewed frequently
4. Multiple collecting agencies, most of the revenue collecting organisations are separate for example social security, taxation and health insurance are often divided. They contain much of the same information and duplication of statutory reports, such as returns to statical offices. This is viewed as a burden which discourages compliance.

According to Twum (2013) for effective SAS collection system to be effective and voluntary compliance to place the following measures were identified as shown in the diagram below;

Fig 2. 1 Fischer’s Model



Source: Twum (2013)

Non-compliance opportunity

According to Fischers’ model non-compliance opportunities influence contributors directly either by business size or type. The level of compliance depends on the opportunities available to the contributor to evade payment through under understating earnings.

Demographic variables

The demographic variables indirectly influence compliance, due to their effects on the contributor’s opportunities of compliance. According to Twum (2013) defines education as the contributor’s ability to grasp as well comply with current collection system. The author argues

that the ones who have knowledge on collection system comply better than those who lack knowledge.

Revenue collection system

According to Twum (2013), the collection system is the major detriment of the factors affecting non compliance. The effectiveness of the collecting system and the probability of detection as well as administrator's power to impose penalties determine the level of compliance

Attitudes and perceptions

The fairness of the collection system determines the level of compliance (Johnson and Trautsolt, 2012). Contributors are less likely to comply when they perceive the contribution system to be unfair and this is usually the case when contributors benefit the less from the contributions and premiums.

Sapeiei and Kasipillai (2013) came up with possible measure to ensure effective contribution system:

Detection of non-payer – social security organizations should keep records of contributions. The contributors that are fully meeting their obligations should be given a security number to easily identify the ones who are contributing or not. The employees that are insured with social security schemes should have an employee number for easy identification between those insured or not.

Accountability and external supervision – the collecting agencies should become very efficient with higher accountability and greater trust of participants. Good contribution governance has to be based on transparency, as well as necessary checks and balances

Staff - the staff that is involved in inspections should be skilled and competent enough to use modern information technology systems

However, besides the SAS collection system Social Security Funds can implement the following type of collection systems:

Centralized collection Systems

. Centralized collection system, a representative agent collects revenues on behalf of all revenue collecting agencies and distributes the revenue evenly to the respective organization (Noodin, 2013 and Strban, 2007). To do this correctly, the agency has to identify the respective individuals (contributors) and amount remitted. The implementation of centralized system is based on security reasons, efficiency and costs. Bahwan (2013) defines centralized collection systems as the collection of social security contributions entrusted to a single national social security organization. According to Garcia et al (2014) data should be cross matched and accurate information exchange and the government wide approach application should be there, including every accountable agency.

According to Dunn (2014) and Strban (2007) the centralized collection system has the following merits:

- Economies of scale, the use of one agency for collections less costly and there is no duplication of work
- Control mechanism- central collections systems have regular reporting and do audits frequently. There is a lot of supervisory implications, since transferring of revenue collected from contributors needs regular supervision.
- Cross controls- centralizing collection systems allows for cross-checks of pensions with other information, such as health insurance and personal income taxation. A single agency responsible for all collection can develop a single reporting system. Even if there are separate agencies there can share information and can improve compliance
- Enforcement power- any actor in the pension system can report evasion, enforcement powers can be assigned to a single agency
- Corruption- centralized collection systems can reduce risk of corruption since information on contributors is integrated.

However, if the collection agency lacks proper technological systems, information they use for collection can be biased, thus possibility for evasion of payment by some organizations. In some countries sharing of information maybe illegal under privacy laws.

2.1.5 Practices used to invade remittance of contributions and premiums

The following methods are put into practices to effect remittance evasion:

Failure to submit returns

According to Cumming et al (2013) contributor evade payment by not submitting returns. Contributors can choose not to file all revenues for that period as a way of reducing liability. Non-filing of revenues occurs when the returns that should be filed to the revenue collecting agent are not filled (Fischer and Washburn, 2012). However, Schneider et al (2015) argued that filing of returns with contribution administrators is depended on the competence of the organization as contributors are less likely to file returns in a weak organization.

. Under-invoicing

Evasion of contributions can be done by under invoicing income earned according to Benk (2015). Under-invoicing occurs when contributors do not include all income earned for that specific period, for example accounting of transactions which has never over occurred. This distorts data that will be used to calculate the liability due thus reducing the payment due.

Under declaration of earnings

Kwame et al (2013) and Stack (2015) cited that full declaration of earnings is of great importance since earnings declared will be used to calculate contribution liability. According to Cummings et al (2013) identified under-invoicing as one of the most common ways by firms they choose not to comply to social contribution and premium payments. Haldenwang et al (2014) agreed by defining unreported income as the difference between the amount of income that should be reported to the revenue authority and the amount of income actually reported.

Engaging in the underground economy

Blackburn et al (2012) and Debasish (2017) cited that to avoid contribution payment firms may engage in the underground economy in order to avoid regulations which result in the accounts

being inaccurate and incomplete. The authors further argue that the complexity of the contributions and collection systems causes contributors to opt for underground economy. The following were practices that were identified that are being implemented to evade payment of contributions:

- workers work in informal sectors to avoid contributing
- collusion between employer and employee
- employer giving preferences when settling obligations, remitting revenues to other respective agencies such as tax agencies and evading payment of social security funds
- Employer can deduct contributions and not remit them to the respected institute. Employer can choose to use those funds for some other purposes
- financial statements are not properly prepared
- underreporting the number of employees at a company
- However some employers take advantage of the complexity of the laws that are put in place for compliance of remittance of contributions, some employers would take advantage of the frequently changing laws

2.1.6 Implications of non-compliance and compliance on financial performance

According to Gitman and Zutter (2012) financial performance is the measure of firms' ability to generate income in the ordinary course of business activities. Gamze (2012) defines financial performance as the degree to which financial objectives are being accomplished in an organization. It reflects how well a firm can use assets from primary mode of business to generate revenues. The system that is used by social security organizations is affecting the financial performance negatively because there are loopholes in the collection systems. The transparency of governments in African countries are affecting the financial performance negatively because citizens they no longer have faith on their governments. Lack of proper awareness on importance of contributing results in low income being received which affects the financial performances. In economic challenges contributors will delay or choose not to contribute hence affecting financial performance. According to Stanvinck et al (2015) the financial performance of social security organizations is affected by the effectiveness of the collection systems that an organization implements.

The compliance rates of contributors influence the financial stability of social security funds (Davis and Haan, 2012). High levels of non compliance and poor remittances of contributions influence the sources of income, low income received means that the going concern of the entities becomes questionable since its main source of income is through contribution remittance. Contributions are also vital since they are used for investment purposes to improve the financial performance of social security organizations.

However, Hinz et al (2010) cites that financial performances of social security organizations can be affected by other factors besides low contribution compliance. Financial performances can be affected by lack of proper managerial expertise. The use of social security funds to fund political programs strains financial resources; financial stability of local authority organizations is poor because of government intervention and use on the finances (Otieno et al, 2014). A further argument raised by Brunner et al (2008) lack of proper corporate governance is the main cause of proper financial performances in social security organization.

According to Adejoh (2015), total remittance and compliance of contributions plays a vital role in social security organizations. The author argues that for going concern to be foreseeable there is need for total compliance by contributors, social security organizations exist and are funded through contributions that are remitted. Kotun et al (2016) states that total compliance on remittance of contribution enables the social security organizations to carry out other activities that stimulates growth and increase revenues to strengthen financial performances. The author further argues that total compliance by contributors enables the social security organization to invest in other activities for example purchasing of an asset to increase revenues. Farrell and Shoag (2016) in their research they agreed that the need for total compliance by contributors are important since the chances of investments increase.

2.2.0 Empirical review

2.2.1 Introduction

Empirical review involves the use of published articles and journals to gain knowledge about a particular research (Long, 2014). Different authors have carried out their researches on the topic under study; the empirical review will be analyzing their findings and conclusions.

Rwanda

According to Uwera (2013) in his research titled “Social Security and Pension System in Rwanda”, the collection systems that are implemented in Rwanda social security schemes are weak and have resulted in high evasion rates towards the social security funds. They have adopted the SAS collection system; according to his research he highlighted the following reasons as the cause for low contribution remittance:

- There is difficulty in collection of contributions because workers and employers are reluctant to pay
- The employees can choose to pay other security funds and invade others
- Negative perceptions have arise, most employees do not see the importance of remitting their contributions because they do not believe that retirement benefits are necessary
- The amount that pensioners are receiving is deemed to belittle this has affected remittance of contributions as they are view the benefits given in future is not adequate
- The lack of proper funding in social security funds which leaves a questionable mind, fear of the unknown the possibility of social funds collapsing

Uwera (2013) further emphasizes that economy of Rwanda is dominated by informal sectors, they occupy 88,6% of their economy. Many of the companies are not registered towards social security funds or even in a regulatory board like labor of Relations. This has affected the financial performance of the social security schemes.

He further explains that the following methods are used to evade payment to social security funds:

- Formal sectors are not registering all their employees
- Collusion between employer and employee
- Under declaration of revenues
- Operating out of the scope or reach of social security or other regulatory boards

India

According to Kaur (2016), India has adopted the SAS collection system as a collection method for contributions and tax collections. The objective to implement SAS was to improve

contributor's compliance towards and to improve efficiency in the collection processes. The SAS was introduced for the following reasons:

- To encourage contributors to remit contributions voluntarily
- To ensure efficient usage of tax administrators cost and resources
- To ensure consistent performance in all assessment branches
- To improve and increase contribution collections

However, the SAS did not meet the expected results some problems arised which has influenced financial performances of the social security schemes. The system had many loopholes for example contributors underreporting their earnings to reduce obligations and not registering all employees. It was concluded that the SAS that was adopted has adversely affected financial performances of the social security schemes.

Ethiopia

According to Mulugeta (2016), SAS was adopted as a way to improve voluntary compliance, improve revenue collections and efficiency. However, the SAS has raised issues linked to the competency, honesty, capability and readiness of contributors to receive the burden for calculating and assuring accuracy of returns. The contributors and tax payers might not have proper knowledge on how to compute contributions due. The following problems were identified in SAS which encouraged evasion:

- Multiple collecting agencies, the lack of integrated collecting systems. The contributors are required to produce the same information by revenue collectors like taxation
- Collusion between employer and employee not to remit contributions, the systems is failing to identify such practices

It was concluded that SAS has adversely affected financial performance for social security organizations. Hence there is need to implement better collection systems to improve financial performance for both social security organizations and tax companies.

United States of America

According to Alkenbrack et al (2015), enrolment into social security schemes is of great importance to ensure coverage of future benefits. Despite the mandatory nature of enrolment into social security schemes they have suffered low coverage because of two major factors

1. Few informal firms are enrolled by social security schemes and most of them do not comply with statutory laws.
2. There is lack of proper knowledge on enrollment procedures and the distinctiveness that are connected with the enrolment.

He further argues that in most developing countries enrolment into social security systems is difficult to enforce and several tactics are commonly used. A clear understanding is needed as to why firms comply with mandatory insurances and why they do not comply. The following methods were identified that were used to evade compliance towards social security funds:

- Failure to report number of employees, some employees are not registered
- Classifying jobs as part time, contractual or casual
- Structuring of workforce either temporary or contractual. An organization can have three-quarters of its employees as temporary and the other quarter as permanent. Permanent workers are the ones that are entitled to social security benefits hence the majority are not accounted for under the social security scheme
- Opting out by workers, employer and employee collude to evade payment of the social security schemes

In his research he highlighted that contributors view social security schemes as a burden and they also lack confidence in the future existence of the scheme, its ability to pay benefits when they are due.

However, other researchers have established a different view concerning collection systems. They have argued that collection systems are not the reason for poor financial performance in social security funds.

Anglo-American Studies

According to Klumpes (2011) research, social security funds are lacking proper accounting practices which have resulted in loopholes for remittance of contributions. According to his research, Australia has lacked professionally endorsed accounting standards since the principles were endorsed by government. They adopted company oriented accrual foundation of accounting and did not recognize the possibility of future claims, existing and past employees to the fund surplus and ongoing claim.

He further emphasized that Canada has developed accounting standards like **CICA 4100** to curb the discrepancies in reporting for social security funds. But there is still lack of uniformity across the provinces when it comes to reporting. The relatively low level of public pensions is accompanied by a lack of any general accountability by the Canadian federal government about the overall ability to meet the unfunded obligation.

Kenya

According to Mwachiro (2013) in his research titled “effects of internal controls on revenue collection”, internal controls have an impact on the financial performance of social security systems in Kenya. A system of effective internal controls is critical component of a company management and a foundation for a safe sound operation of organizations. Ineffective controls results in ineffective programs and eventually leading to losses. In his research he argued that there is a co relationship between internal controls and revenue collections.

Implementation of proper internal controls influences compliance of remittance of revenue to social security funds. For example if there is poor segregation of duties in an organization, the chances of corruption are high. The possibility of collusions can occur between the organization employees and contributors to evade payments. There is need to segregate duties to ensure that proper accountability is kept thus to enable identification of defaulters.

In his research he concluded that for social security systems to ensure total compliance by contributors there is need for proper internal controls that will ensure total compliance.

2.4 Summary

This chapter looked at the literature and empirical review for the collection systems in security organizations. The theoretical framework gave a descriptive insight on important matters of the

research while the empirical review focused on researches that were carried out in other countries; authors gave different views that affect financial performance of social security organizations other than collection systems such as accounting standards and internal controls. The following chapter is on research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains how information relating to the performance of NSSA contributions and premiums collection system and financial performance was gathered. This chapter focuses on research design, targeted population, sources of data used for research, collection instruments, viability, reliability, data collection procedures, data presentation and analysis, ethical considerations and lastly the summary of the chapter.

3.1 Research design

Creswell (2013) explained research design as a process that involves collecting data to solve problems under study. Descriptive research methodology was adopted by the researcher to analyze the collection systems in social security organizations.

3.1.1 Descriptive research

Descriptive study incorporates or focuses on fact finding enquiries of kinds in research projects (Singh, 2016). The methods used for research are qualitative, quantitative and mixed approach. The researcher used a descriptive research method to assist the researcher to solve problem under study or issues under study.

Mixed research design comprises of qualitative and quantitative data collection techniques (Saunders, 2013). Kumar (2014) defines mixed approach as a method of collecting facts by means of incorporating both qualitative and quantitative data as to derive a significant reasonable research. Qualitative research is a research method that encompasses the use of words expressed by respondents concerning a particular problem under study for example use of interviews (Kumar, 2014). According to Saunders (2013) quantitative research is an analysis procedure that generates numerical data or uses numerical data which can be collected through the use of questionnaires. The benefit of using mixed approach is that it assists in understanding the difference between qualitative and quantitative in carrying out a research (Bryman and Bell, 2015). Mixed approach results in the integration of qualitative and quantitative data to provide detailed information than using them separately. However, Hughes (2014) states that mixed

approach has limitations; it can increase the complexity of data analysis and evaluation, more time and resources are needed when analyzing data.

3.1.2 Justification of using mixed research

The researcher used the mixed research because the researcher wanted to eliminate the weaknesses of qualitative and quantitative method if they are used separately. Data collected through mixed approach is more accurate since data collected from both methods complement each other to deepen understanding of the research topic. Information which could not be obtained through the use of qualitative was obtained through the use of quantitative method.

3.2 Population

Population is the full set of cases or elements from which a sample is taken (Saunders, 2016). Yin (2014) defines population in a research as a group of individuals with similar characteristics that are under study in a research. The researcher targeted employee's at NSSA in the town of Chinhoyi.

3.2.1 Population sample and size

Saunders (2016) explains sample as a set of data collected from an entire population through defined method. Whereas sample size is defined as a representation or fraction of the entire population (Kumar, 2014)

Table 3. 1 Population sample and size

	Population	Sample size	% of population
Regional manager	1	1	100
Accounting	12	5	41.67
Compliance	24	12	50
Benefits Processing	15	5	33.33
Others	22	7	31.81
Totals	74	30	42.56

The researcher was focused in Chinhoyi town where the researcher was attached. The targeted population was 74, according to Jalil (2013) the sample size used should at least be 30% of the

population, the researcher applied the proposed formula by Jalil and came up with sample size of 30. The researcher was mainly focused on the departments that are involved and have a better knowledge on compliance issues and financial performance.

3.2.2 Justification of sampling

The researcher used sampling because each sample was representative of the entire population and also it was less time consuming to analyze and present data. Sampling also increase accuracy since data that will be necessary analyzed.

3.3.0 Sources of data

3.3.1 Primary sources of data

According to Kumar (2014) primary data is data that is collected directly from the original source for a specific purpose. The researcher collected data through interviews and questionnaires. The choice of using primary data has the following advantages:

- Data collected is original because it is not yet altered for other purposes
- The researcher was able to monitor the quality and quantity of information
- The information that was collected was more accurate since it was collected for a specific purposes under study

However, primary data has the following disadvantages:

- Gathering of data is costly since there is need to carry out a thorough research.
- It was time consuming

3.3.2 Secondary data

Bryman and Bell (2015) define secondary data as data that is collected by the researchers which will be used by the researcher. Secondary data was collected from accredited websites, journals and publications. The researcher used secondary data from NSSA company reports, NSSA annual financial statements, NSSA board minutes, NSSA board packs and magazines.

According to Bryman and Bell (2015) secondary data has advantages that data is already and easily assessable. The researcher easily accessed data that was published from e journals, books and other publications in the university. However, Denscombe (2010) argues that secondary data

has disadvantages; information that is published could be biased since the researcher had no influence on its originations. The data that will be published might not be appropriate for the specific research. Data might not fit into the research needs when using secondary data as a source of information. Data quality is not guaranteed as compared to primary.

3.4.0 Data collection instruments

Data collection instruments can be defined as the method that was used for data collection. The researcher used questionnaires and interviews.

3.4.1 Questionnaires

According to Kumar (2014) questionnaires can be open-ended or closed-ended questions to which a targeted respondent response. Questionnaires need to be carefully structured and designed if not so the outcomes might not be desirable for the study (Zohrabi, 2013). The researcher used questionnaires which were completed by respondents; some respondents answered the questionnaires in their spare time. The questionnaires were designed and linked to the research objectives of the study to ensure that all information is captured on the questionnaires.

3.4.1.2 Merits of questionnaire

Questionnaires were easy to administer or distribute to the targeted population in short time. The answers that were given were easy to analyze and present. Questionnaires allowed respondents to have more time to closely look at the questions, the researcher left some of the questionnaires for the respondents to complete in spare time.

3.4.1.2 Demerits of questionnaires

According to Zohrabi (2013), if questionnaires are not given to the respondents in person they are likely not to answer them. The researcher ended up making follow ups to ensure that the questionnaires were fully answered. Some respondents waited for the researcher to return to seek clarity on the questionnaires which was time consuming.

3.4.1.3 Justification of Questionnaires

The researcher chose questionnaires because they are easy to administer to respondents and answers are easily presented on the questionnaire. Questionnaires are also less time consuming for respondents and data collected is easy to analyze and present.

3.4.2 Interviews

Denscombe (2010) defined an interview as whereby the interviewer personally interviews the respondent questions regarding particular topic or subject. The interviews can involve the use of structured and unstructured verbal communication through which information is obtained for the study.

According to Denscombe (2010) interviews have the advantage that suitable candidates can be selected, the interviews can be directed to targeted group. Information that is collected cannot be diluted since its obtained from the original source. However, interviews have a disadvantage that respondents can be misinterpreted and it also time consuming since they take a lot time to analyze feedback.

3.4.2.1 Justification of using interviews

The researcher used interviews as a research instrument because the interviewer was able to notice all the facial expression as well as the gestures of the interviewee and this enabled the interviewer to know the sensitiveness of questions asked and adjust accordingly.

3.4.3 Types of questions

3.4.3.1 Open ended questions

According to Creswell (2013), an open ended question allows respondents to give all possible answers there are not limited on the questions asked. Open ended questions have an advantage that there are no limitations or restrictions on respondents, they can answer all questions without restrictions. The respondents give their own view which is not guided by the questions since they are not predetermined by the researcher; they reveal more of respondent's thoughts. Kumar (2014) cited that open minded questions increase the quality of data collected since respondents are given a chance to express their opinions. However, if the sample size is large it is difficult to analyze the data.

3.4.3.2 Closed ended questions

Kumar (2014) defines closed ended questions as questionnaires that set out possible answers and the respondent just ticks the category that is in line with their answers or response. According to Zohrabi (2013) closed ended questions produce quantitative data which can be analyzed

numerically by the researcher. The researcher used closed ended question so as to avoid expression of personal opinions by respondents.

3.4.3.2.1 Justification of closed ended questions

The researcher used closed ended questions because they were less time consuming for the respondents since they could easily tick the category in line with their response. Data that was presented on the close ended questions was easy to analyze and present.

3.4.4 The Likert Scale

According to LaMarca (2011) likert scale is a psychometric response scale primarily used to answer closed-ended questions. The likert scale is used to decode data that has been gathered during the research.

Table 3. 2 Likert Scale

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

Source: Creswell (2013)

3.4.4.1 Advantages of the likert scale

The respondents could easily understand the questions. The researcher discovered that the use of likert scale was less time consuming for respondents since they easily tick where appropriate without stating their reason. The responses were easy to quantify.

3.4.4.2 Disadvantages of the likert scale

The use of likert scale requires a respondent to make a sound decision and measuring of the attitudes of respondents is difficult since there is no face to face interaction like on interviews and some respondents were concerned if they have meet the expectations of the researcher.

3.4.4.3 Justification of using Likert Scale

The researcher used the likert scale because it was easy to collect data and analyze. The likert scale reviewed different responses from respondents.

3.5 Viability and reliability

Shuttleworth (2015) explains that reliability is apprehensive with the ability of the questions to produce the same results in a study. It shows that the study of a system is able to complete and

continue its function without fail in routine conditions. Validity can be defined as a way that an instrument measures what it was purposed to and does it correctly; it measures the credibility of a research (Saunders, 2016). To ensure validity of data the researcher checked questionnaires to confirm that respondents had answered all the questionnaires as way of reducing sampling risk. The questionnaires were sent in time to the respondents to ensure that they have adequate time to answer.

3.6 Data collection procedures

3.6.1 Access

Before the commencing of the study on NSSA permission was sought from the Regional Manager. This was easy for the researcher since she was once an employee at NSSA. Application for permission was sought necessary since the management was part of the study; their participation was of great importance.

3.6.2 Questionnaires distribution

The questionnaires were distributed to the targeted population sample in hardcopies. Extreme caution was taken to encourage the respondents to be honest as possible in the responses that they give.

3.6.3 Archival data

Data that was used was obtained from the library reference text books. Publications on the past and current trends on social security programs was used, other publications from International Social Security Association (ISSA) were used as part of the research. Published Journals were also used from the internet.

3.7 Data presentation and analysis

The data that was collected from questionnaires and interviews was presented in form of tables, bar graphs or pie charts. Data was also analyzed through the use of frequencies to demonstrate the view and perceptions of respondents. According to Bryman and Bell (2015) data presentation involves a statically technique of presenting data through the use of diagrams. The researcher firstly cleaned the data to eliminate errors and then concluded on the responses on questionnaires the researcher used excel, generated bar graphs, pie charts and tables to present information that was obtained during research.

3.8 Ethical consideration

Responded anonymity was maintained by not revealing their identity throughout the research process. Respondents were advised on the purposes of the research through a covering letter on the questioners. Permission to access and carry out research was granted by NSSA.

3.9 Summary

This chapter looked at the research design adopted in the study, research instruments used for data presentations. The next chapter will be focusing on data presentation.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter focuses on analyzing and interpreting data from the research that was carried on the effectiveness of collection systems in social security organizations and its impact on financial performance, being a case study of NSSA. Through the use of various techniques, data was analyzed from questionnaires administered, interviews conducted and information from secondary sources. The results were related to the research objectives and were presented answering questions highlighted in Chapter one. The data was analyzed through the use of excel to produce tables, bar graphs and pie charts.

4.1 Response Analysis

The researcher's respondents were employees from NSSA Chinhoyi Region.

Table 4. 1 response rate

targeted category	questionnaires distributed	respondent	not respondent	respondent rate
Accounting	5	5	0	100.00
Compliance	12	10	2	83.33
benefits	5	4	1	80.00
other	8	7	1	87.50
totals	30	26	4	86.67

The researcher had targeted 30 participants however, only 26 managed to answer the questionnaires which was 87% of the sample size as presented in fig 1.

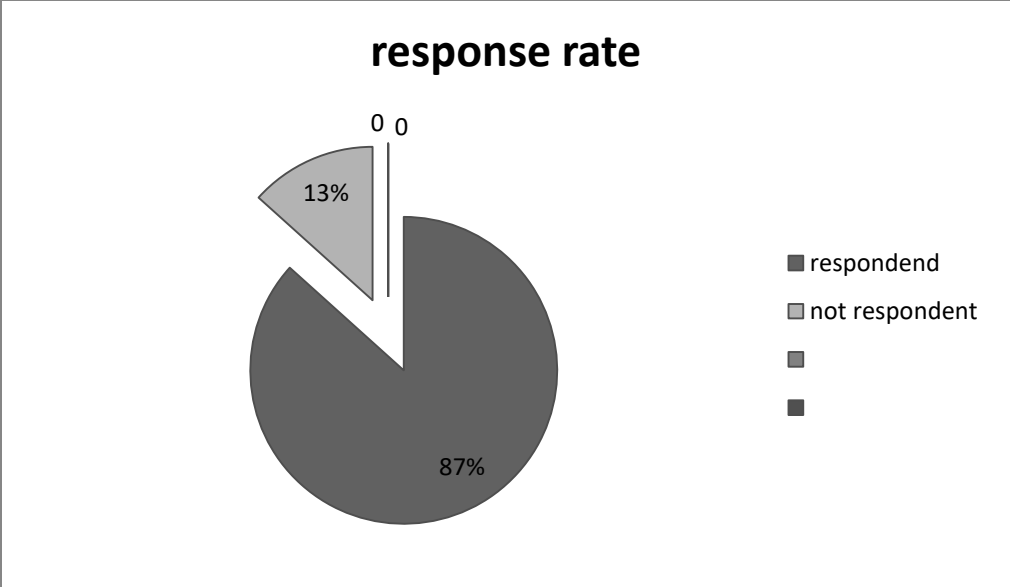


Fig 4. 1 response rate

4.2 Analysis of demographic data

The respondents that answered the questionnaires were made up of 10 females and 16 males. This information is presented in fig 4.2 below.

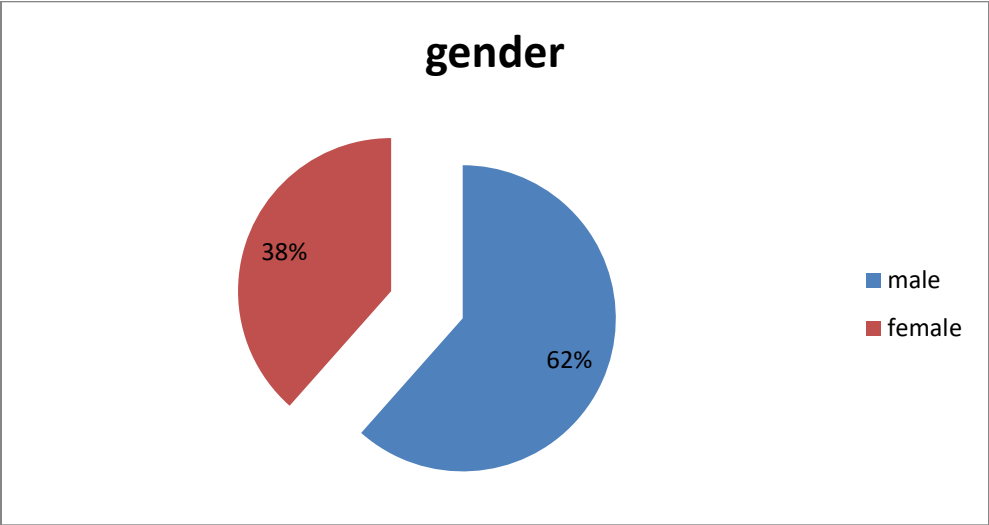


Fig 4. 2 Demographic Data

4.3 Qualifications of Respondents

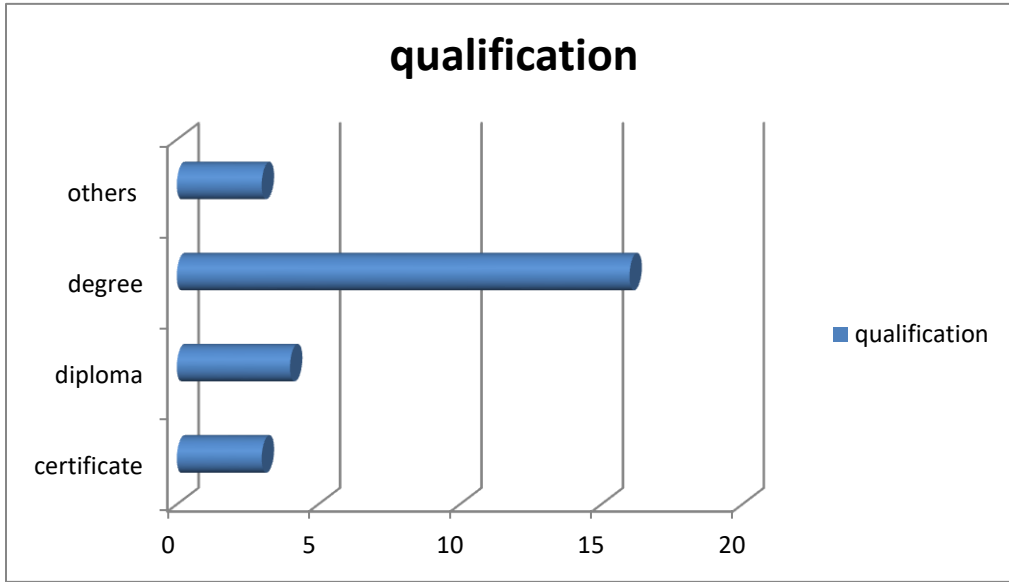


Fig 4. 3 Qualifications

Most of the respondents their highest qualifications were degrees, followed by diplomas, others had masters and certificates.

4.4 Working experience in the organization

The respondents working experience is analyzed in fig 4.4 below. Most of the employees had working experience from 4 – 7 years followed by 8 years and above and lastly 0 – 3 years.



Fig 4. 4 Working experience

4.5 To establish reasons for low contributions and compliances

Table 4. 2 responses on the reason for low compliance

Question	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	5	4	3	2	1
Administrative complexity of NSSA compliance procedures	16	5	0	0	5
Financial problems	21	5	0	0	0
Resistance by employees and employer	9	2	3	5	7
Lack of confidence in the administration of NSSA	0	0	0	6	20
Labour turnover	18	6	2	0	0
Perceived inaccessibility of NSSA benefits	0	0	4	0	22

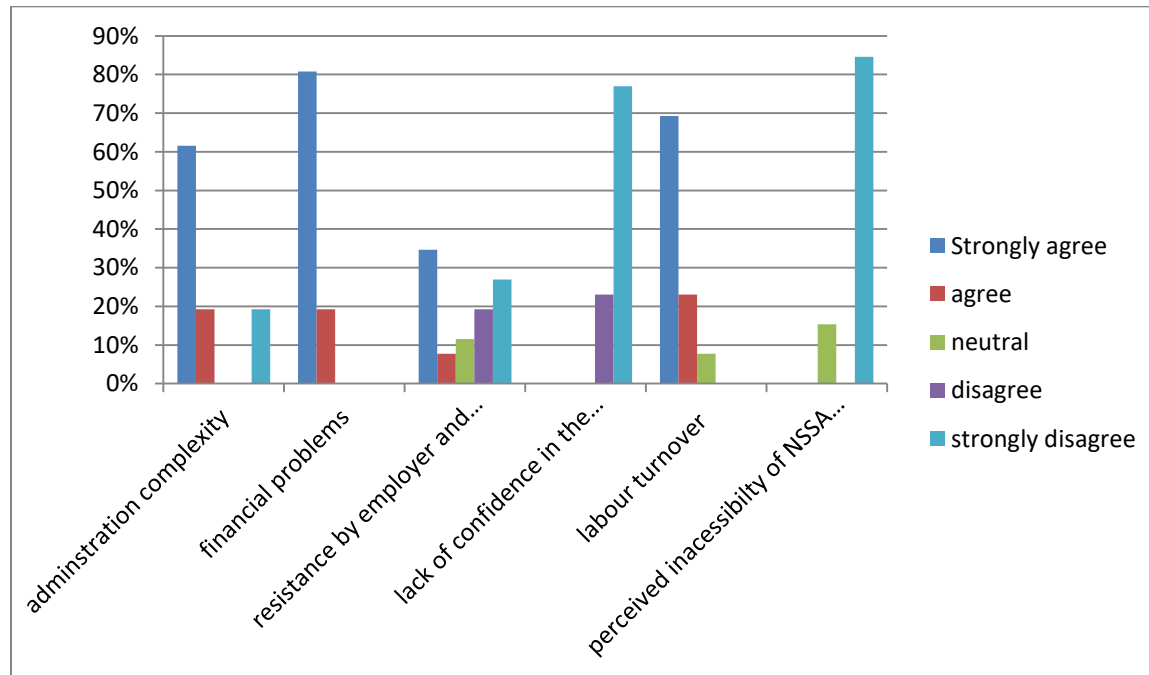


Fig 4. 5 Responses on the reasons for low contribution and compliance

Fig 4.5 above and **table 4.5** shows the findings from the respondents as the reasons why most of the contributors are failing to comply with NSSA and reasons for low contributions. The results

shows that the main reason for low compliance is because of financial problems, these cash flow problems are due to the prevailing economic hardships and these results are in consistent with a statement made by NSSA Benefits (2009) in their research, social security organizations are highly affected changes in; economics, social and demographics. In addition the other reasons for low compliance were identified as high labor turnover and administration complexity.

The employees that were interviewed identified the reason for low contributions as negative perceptions that have been made by contributors about the organization; they believe that their contributions are being mismanaged by the organization. Such perceptions reduce contributor’s confidence and results in contributors contributing less. One of the respondent interviewed highlighted that contributors are reluctant to remit contributions because it is a statutory obligation, they do not have a choice but to do so. They have identified that there is need for contributors to voluntarily remit on their own because of the benefits that are associated with NSSA .

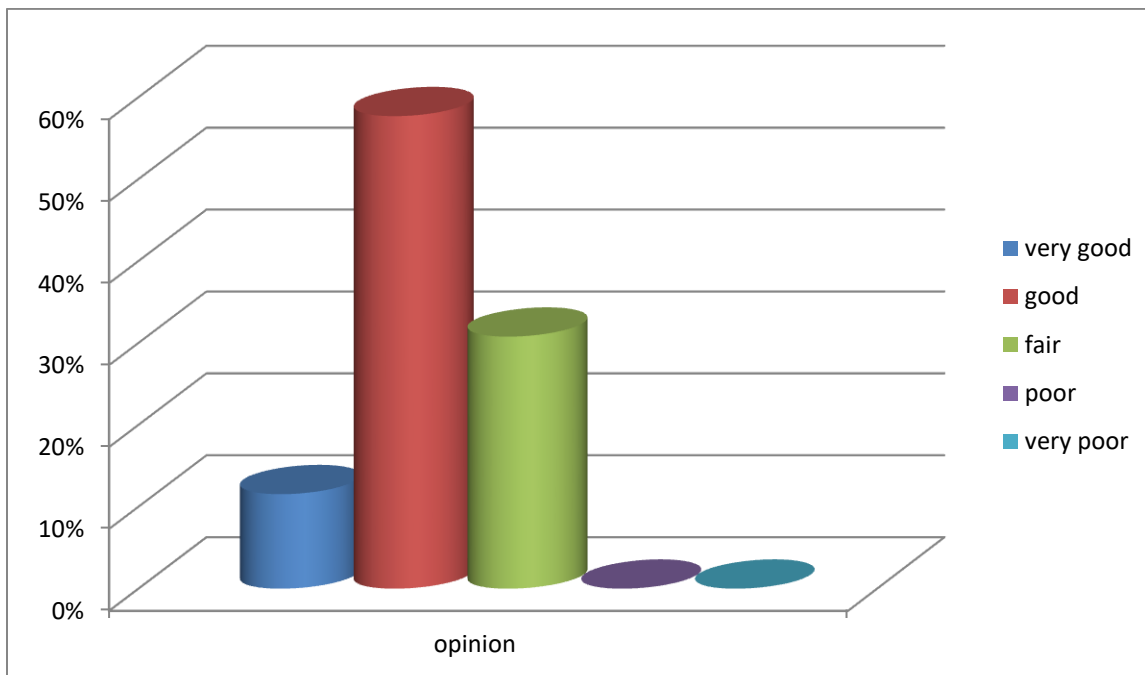


Fig 4. 6 Communication systems with employers on contribution compliance

Most of the respondents agreed that NSSA has good communication systems with contributors on the importance of compliance. Most of the interviewed respondent also agreed by stating that they carry out “*teachings*” so as to educate contributors, both employer and employees on the

importance of contributing. However, regardless of such teachings a few contributors are meeting their obligations.

4.7 Effectiveness of compliance inspectors in debt collection

63% of the respondents have strongly agreed that inspectors of NSSA are effective at debt collections. 8% of the respondents had disagreed that NSSA inspectors are ineffective when it comes to debt collection whilst 8% were neutral and 23% agreed that they are affective. This data is presented in **fig 4.7**.

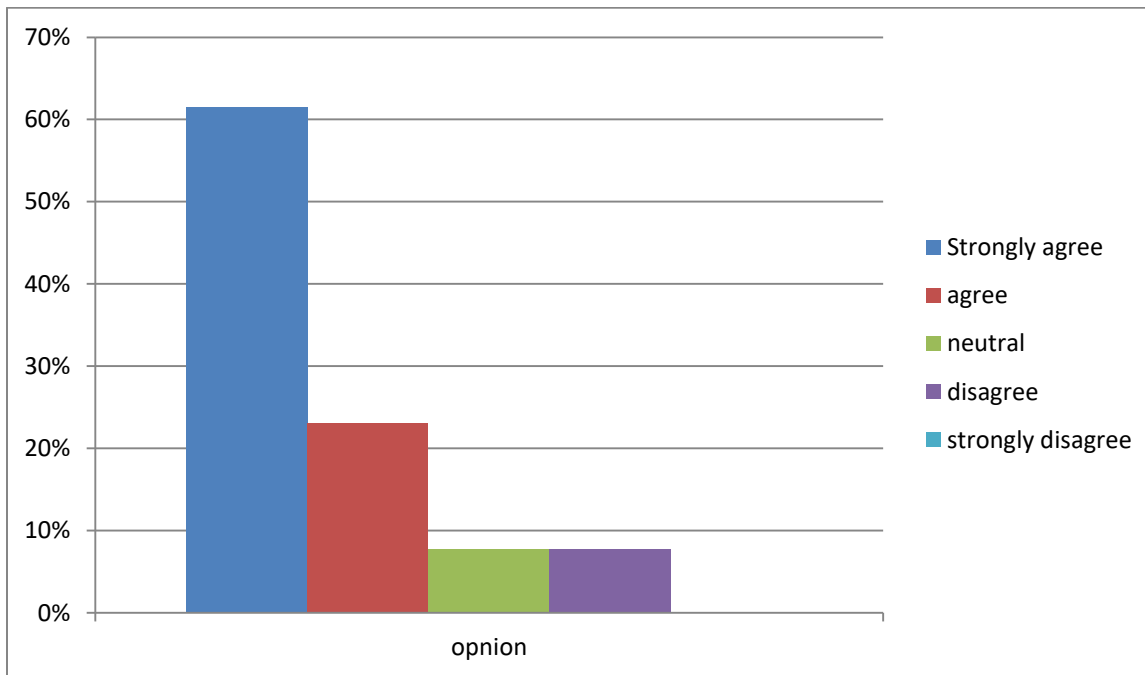


Fig 4. 7 Effectiveness of compliance inspectors

4.8 Practices used for evasion

Table 4. 3 response on evasion practices

5 – strongly agree , 4 - agree , 3 - neutral , 2 – disagree , 1 strongly disagree

Practices	5	4	3	2	1
Underreporting employee who should be covered by social security	14	5	3	2	2
Underreporting of earnings which will be used for contribution computations	19	5	0	2	0
Delay in remitting contributions	24	2	0	0	0
Employing workers as part time rather than full time	15	1	10	0	0

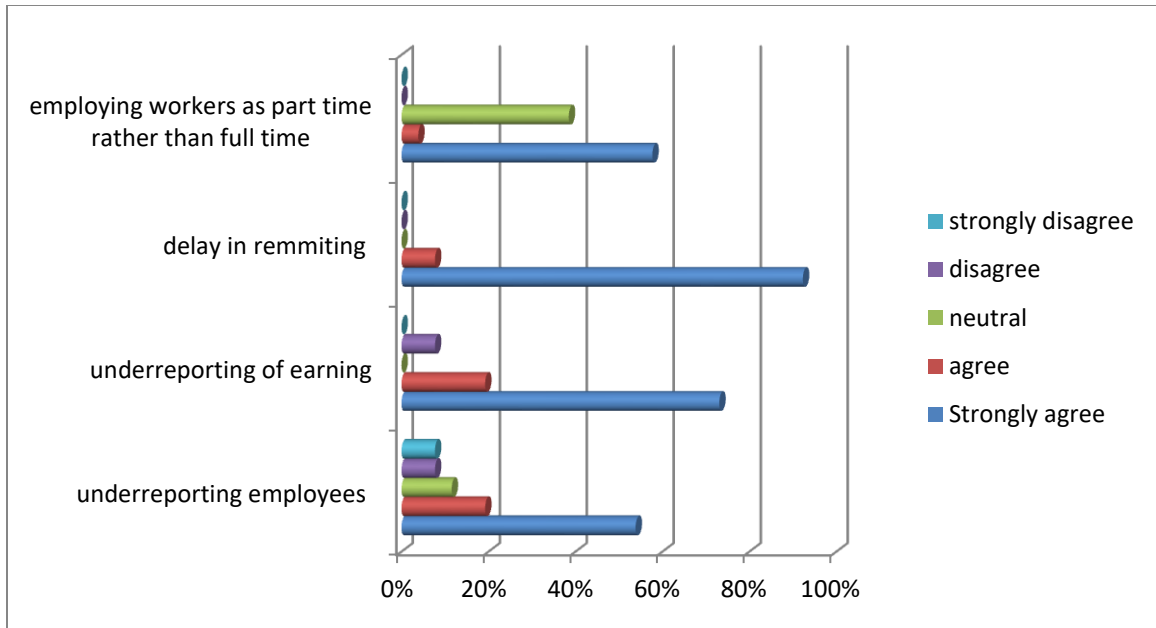


Fig 4. 8 Responses on practices of evading

The fig 4.8 and table 4.8 above shows responses on practices used by contributors to evade payment of contributions and premiums to NSSA. The results indicate that 92% of respondents agree that contributors delay meeting their obligations that are due and 8% also agreed. This practice is also inline withMcGillivary research; the research also indicated that contributors delay remitting contributions as a method of invading remittance.

The results also indicate that 73% correspondents strongly agree contributors underreport their earnings as method of reducing liability burden. 19% of the respondents agreed that contributors underreport their earning and 8% of the respondents disagreed. 58% of the respondents also strongly agreed that contributors classify employees as part time rather than full time, thus the few employees classified as full time are the ones that are covered under NSSA. 4% of the respondents agreed that contributors classify employees as contract rather than permanent and 38% were neutral. During the interviews that were done, they also agreed that most contributors would choose to employ contractual workers rather than permanent. They also agreed that a contributor underreports the actual earnings as a way of reducing the contribution they remit.

4.9 Effectiveness of the collection system

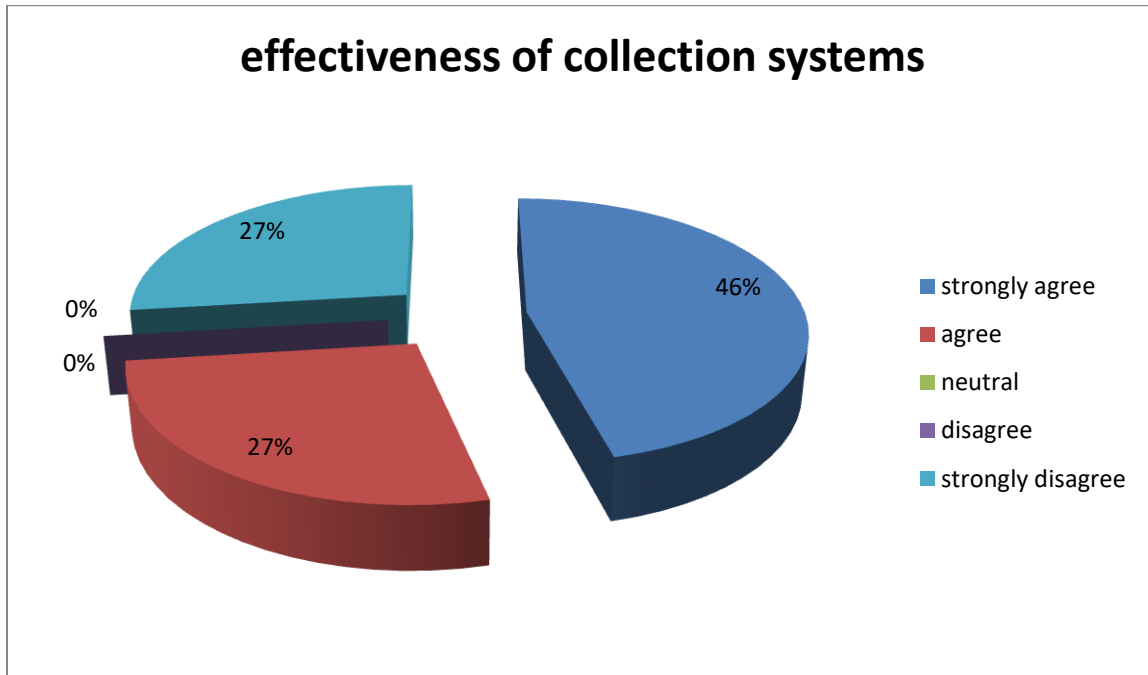


Fig 4. 9 effectiveness of the collection system

46% of the respondents agreed that the collection systems are effective, 27% agree and 27% strongly disagree. The interviewed respondent agreed that their collection systems are effective however; there are some adjustments that needs to be done for it to be more effective than currently.

4.10 Weaknesses of the collection system

Table 4. 4 Weaknesses of the collection system

5 – strongly agree , 4 - agree , 3 - neutral , 2 – disagree , 1 strongly disagree

Issue	5	4	3	2	1
poor system for identifying employers and employees	6	17	3	0	0
It is not technologically advanced	9	12	4	1	0
Frequency of returns submitted	8	0	6	0	12
Multiple collecting agencies	26	0	0	0	0

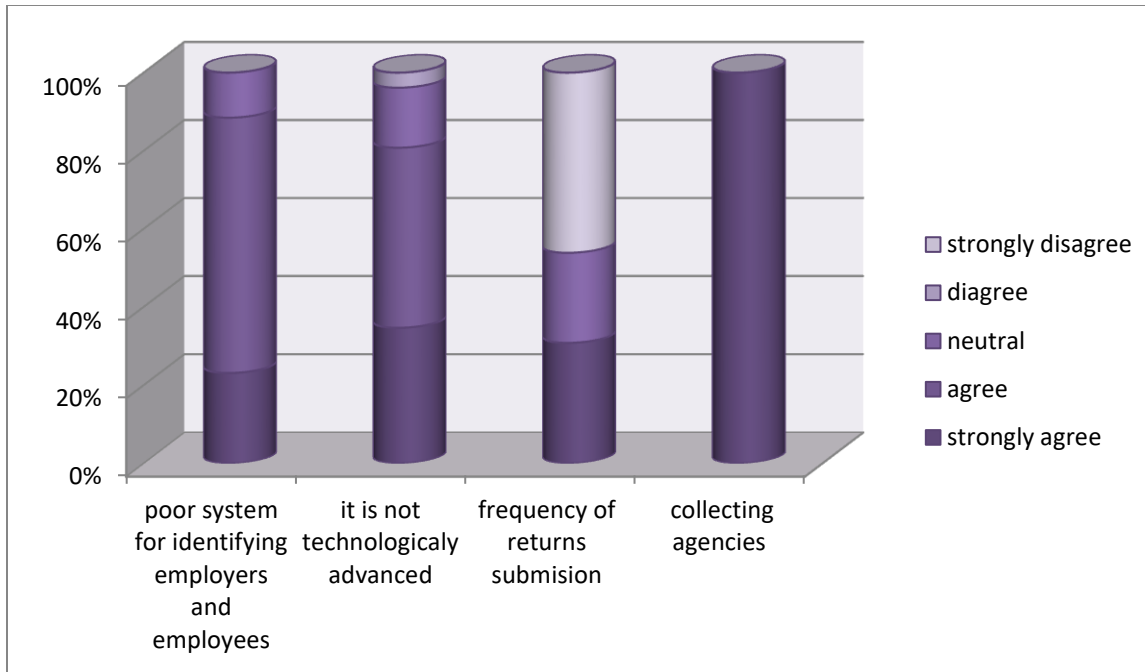


Fig 4. 10 weaknesses of the collection systems

The information presented in **fig 4.10** and **tab 4.2** shows the weaknesses of the current NSSA collection systems. The results shows that 23% strongly agree, 65% agree and 12% are neutral on the poor identification of employer and employees. In addition, during the interviews the respondents also agreed that the collection systems have a weakness of poorly identifying new firms especially in the informal sectors since they operate out of regulatory boards.

100% of the respondents agreed that there are many revenue collecting agency for example NSSA, ZIMRA, ZIMDAF and NEC, these collecting agencies are separate. During interview, the correspondent also agreed 100% that there are many collecting agencies besides NSSA.

4.10.1 Reason of poor financial performance

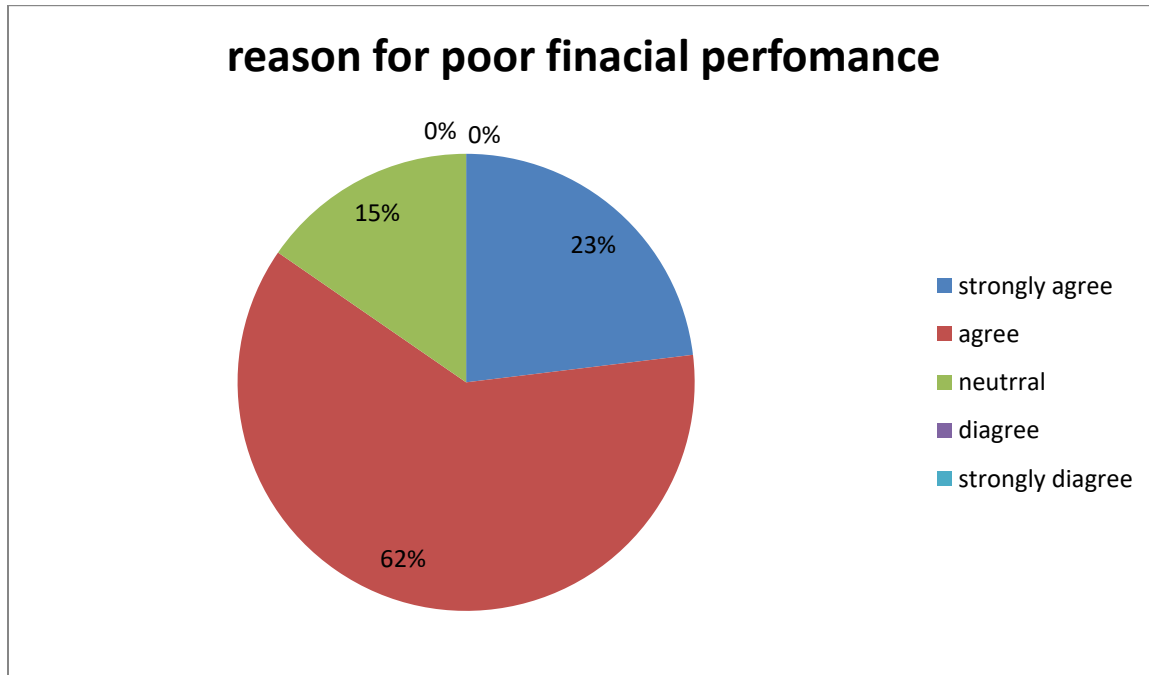


Fig 4. 11 reason for poor financial performance

Most of the respondents agreed that poor financial performances is caused by poor collection systems that is used, 62% agreed, 23% strongly agreed and 15% were neutral. During the interviews that were carried, the respondent's emphasized that total compliance by contributors plays a vital role in the financial performances of the organization. They argued that NSSA exist because its main core is to provide pensions on retirement, for one to be entitled to a benefit there is need for contributing. The existing and survival of pension funds is dependent on the performance of contributors, their attitudes towards the fund.

The same results were also identified by Davis and Haan (2012) during their research, collection systems affects financial performances of social security organizations.

4.11 Summary

This chapter looked at the response rate, data analyses and discussed the research findings for each objective. The data analysis and presentation was done through the use of tables, graphs and pie charts. The following chapter looks at the summary of the findings, conclusions and recommendations.

CHAPTER 5

SUMMARY, CONCLUSIONS and RECOMMENDATIONS

5.0 Introduction

This chapter concludes the research and conclusions are derived from findings discussed in the previous chapters and with reference to the objectives in chapter one. In this chapter the researcher summarizes the study, major findings and gives recommendations on the subject under study and suggests areas of further study and the summary.

5.1 Chapter Summaries

5.1.1 Chapter 1

Chapter one focused on background of the study, the problem statement, main research question, research objectives, research questions, significance of the study, limitations of the study, delimitations of the study, definition of terms and summary of the chapter.

5.1.2 Chapter 2

Chapter 2 reviewed the literatures from other researchers on contributions and premiums collection systems on financial performance of Social Security Funds. The chapter compared and discussed ideas from different scholars such as journals and published literature. The literature review was on analysing the effectiveness of the collection systems, their strengths and weaknesses and their impact on financial performance on Social Security Funds. Findings by other researchers were also discussed under empirical review.

5.1.3 Chapter 3

This chapter discussed on research design, population, targeted population, sampling, research instruments, data collection and data analysis plan. The researcher mainly used primary sources for data collection through the use of questionnaires, likert scale and interviews. Secondary data from NSSA publications, journals and published articles were also used as source of data. This chapter also discussed on data analysis and presentations, ethical considerations, viability and reliability and lastly summary of the chapter.

5.1.4 Chapter 4

. Chapter 4 focused on data analysis and presentations through the use of excel and Microsoft word. The analysis and presentations was done in accordance with the important areas of the research through use of questioners given to the targeted respondents and interviews conducted. Data was analyzed and presented through charts, graphs and tables. Lastly this chapter covered the summary.

5.2 Major findings

The research findings disclosed the following:

- The data that was gathered through the use of questionnaires and interviews reviewed the weaknesses in the collection systems of NSSA. The current collection system is ineffective in detection of contributions lost through non compliance. Contributors use different methods in evading remittance of contributions such as under invoicing of earning, employing workers as part time rather than as full time, operating as informal companies, underreporting of the number of employees that should be covered under NSSA and delaying in remittance of contributions.
- Reasons for low contributions were because of economic conditions, lack of confidence in the administration of NSSA and also perceived inability of NSSA benefits
- The research reviewed that there is a constructive relationship between collection systems and financial performance. The revenue (contributions) that is remitted is used as a source of income for the sustainability of social security funds, there should be consistent compliance by contributors to enhance going concern of social security organizations.

5.3 Conclusion

The main objective of the research was to analyse the collection systems of social security organization and their impact on financial performance using NSSA Chinhoyi as a case study. The researcher gathered literature review on the topic under research, conducted interviews and distributing questionnaires. The objective of the study was successful since it managed to address the research objectives under study. The researcher concluded that collection systems have an impact on the financial performance of social security funds.

5.4 Recommendations

There is need for the company authority to consider the following recommendations so as to improve collection systems and financial performance:

- **Education**– educating employers and employees on the importance of contributing towards social security schemes. The employers and employees can be educated as a method of encouraging them to enroll into social security schemes.
- NSSA should pay reasonable benefits that are acceptable by contributors as well making the schemes remain viable
- Engaging in deliberate outreach image building programmes that are meant to restore clients confidence
- Have a robust information and communication technology systems for effective client data management
- **Penalties** – there is need of setting high penalties as a method of discouraging evasion, contributors would rather meet their obligation rather than to pay penalties since they will be high
- Improvising laws and regulations that encourage informal sectors to participate in social security systems. Informal sectors have difficulties in complying with administrative requires to enroll for NSSA
- **Follow ups**- can be done so that they encourage contributors to meet their obligations. These that haven't managed to meet their obligations in time can be encouraged to do so by way of sending warning letters
- **Reducing contribution rate** – in countries with poor compliance with social contributions payment, the mandatory social security contributions rate is often high. The high rate is both the cause and result of poor compliance. It creates high hurdles for low income earners (employees) with limited desire to participate. Contribution compliance may be improved if contribution rates are lowered
- **Government subsidy** – for low income earners the government can pay part of the contributions
- **Coverage** – high level of contribution evasion can indicate that most of people are employed in the informal sectors. Since they have low income earning the social security

organization can induce policies to encourage them to participate in contributing towards the funds. There should be a distinction between the formal and informal sectors policies when it comes to contributing.

- **Changes in attitude-** contributors should be encouraged to remit contributions via a public relations and educating them on the importance of remitting and possible consequences of evasion

5.5 Further research areas

The research was a success although it was just limited to a case study of NSSA. There is need for other researcher to consider other social security organizations and factors influencing of poor financial performance other than collection systems.

5.6 Summary

This chapter presented the summary of the first four chapters, major findings of the research, conclusions, recommendation and further areas of research.

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Appendix 1 QUESTIONARE COVER LETTER

Midlands State University

P Bag 9055

Gweru

06 April 2018

National Social Security Authority

58/59 Masonic Lane

Chinhoyi

Dear Sir

REF: PERMMISION TO CARRY OUT RESEARCH AT NSSA CHINHOYI

My name is Gelda Zindonda a fourth year undergraduate at Midlands State University studying a Bachelor of Commerce Honors Degree in Accounting. It is a precondition of the department that I am obliged to carry out a research during the last semester of the degree. My research is titled “An investigation of contributions and premiums collection systems on the financial performance of social security funds: a case study of NSSA”. I therefore kindly seek your permission to carry out my research by conducting interviews and distributing questionnaires.

High level of confidentiality will be maintained and findings of the research will be confidential, any finding will be used for academic purposes only.

Your assistance will be greatly appreciated.

Yours faithfully

Gelda Zindonda (R144055M)

Appendix 2 Questionnaire

Section A: Respondent profile

Instructions

- a. Do not write your name on the questionnaires
- b. Tick the relevant box for your response

1. Gender

Male Female

2. Highest qualification

Certificate

Diploma

Degree

Others (specify)

3. Department

Accounting

Compliance

Benefits processing

Other

4. Working experience in the organization

0 – 3 years 4 – 7 years 8 and above

Section B: Reasons for low compliance

5. On a scale of five how would you rate the following as reasons for failure to comply with NSSA by contributors?

5 – strongly agree , 4 - agree , 3 - neutral , 2 – disagree , 1 strongly disagree

QUESTION	5	4	3	2	1
Administrative complexity of NSSA compliance procedures					
Financial problems					
Resistance by employees and employer					
Lack of confidence in the administration of NSSA					
Labour turnover					
Perceived inaccessibility of NSSA benefits					

6. What is your opinion on NSSA’s communication systems with the employers on contribution collection issues?

Very good	Good	Fair	Poor	Very poor
5	4	3	2	1

Section C: Practices that are used by firms to evade NSSA contributions and premiums

7. NSSA compliance inspectors are effective in pressing for debt collection?

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

8. Local firms adopt the following practices in evading NSSA contributions and premiums remittance. Rank response by ticking 5 – strongly agree , 4 - agree , 3 - neutral , 2 – disagree , 1 strongly disagree

Practices	5	4	3	2	1
Underreporting employees who should be covered by social security					
Underreporting of earnings which will be used for contribution computations					
Delay in remitting contributions					
Employing workers as part time rather than full time					

Section D: Effectiveness of the current NSSA collection system

9. The collection systems are effective for contribution collections.

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

10. Possible weaknesses of NSSA collection systems.

5 – strongly agree , 4 - agree , 3 - neutral , 2 – disagree , 1 strongly disagree

Issue	5	4	3	2	1
Poor system for identifying employers and employees					
It is not technologically advanced					
Frequency of submitting / filing returns					
It has multiple collecting agencies					

11. Ineffective contribution collection system is the main reason for poor financial performance

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

Appendix 3 Interview Guide

Section A: Reason for low contributions

1. In your opinion what are the possible reasons for low compliance by contributors?
2. What are the possible methods used for evasion in collection of contributions?
3. What are the strengths and weaknesses of the collection systems?
4. What is the effect of non compliance to the financial performance of NSSA?