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**Applied Business Project**

**MANAGEMENT OF**  
**TELEKOM MALAYSIA BERHAD'S**  
**NON PAYMENT ACCOUNTS**

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## Executive Summary

Non-payment (NP) of residential fixed line telephony has affected Telekom Malaysia Berhad (TM) profitability and adversely its cash flow. Management concerned has encouraged the group to review and analyze the factors that affect TM NP, besides proposing preventive and corrective actions to combat the TM NP.

The scope of the study is limited to the normal residential telephony customers only and includes the household characteristics for TM residential customers who are pending disconnection in Kuching. A simple random sampling technique was employed so as to give an equal chance for the respondents to be selected and get more representative findings. For this study, questionnaires were used for data collection via distribute phone calls and face-to-face interviews. A total of 109 responses were received from 150 selected respondents. Likert scaling questionnaires were employed due to its simplicity, easy to construct and administer. The questionnaire had been pilot-tested before the actual questionnaires were distributed.

Both the interview and the survey used the same questionnaire, which was designed to obtain the following information:

- a. Demographic profiles of the NP respondents from the Kuching exchange.
- b. Factors that probably contribute to NP.
- c. The respondents' opinion about the quality of facilities and services provided by the different payment channels available to pay TM bills.
- d. Respondents' suggestions to help them with NP problems.

A Likert 5-point scale was employed for the section on rating the quality of facilities and services.

## CHAPTER 1 Introduction

Hadrat Jabir bin Abdullah (may Allah be pleased with him) narrated:

*Prophet Muhammad (may Allah's blessings and peace be upon him) said, "May Allah's mercy be on him who is lenient in his buying, selling and in demanding back his money."*

(Bukhari)

Recovering bad debts from delinquent debtors effectively can be a challenge. Nevertheless, debt collection is a necessary process to ensure a healthy financial position of any commercial concern.

NP of accounts has a major impact on the profitability of any business. TM is not exempted from facing such a dilemma. The researchers' intention is to understand the factors that contributed to NP of their bills and propose strategies to manage NP effectively.

### 1.1 Problem Statement

NP has been a major issue for Telekom Malaysia Berhad (TM), Sarawak. As of September 2004, there were 5,161 NP cases with a cumulative value of RM3,697,502.04. Bad debt stood at RM1,613,127.00 as at June 2004. (Refer to Appendix 1). And at the moment TM does not have any profile on the NP customers.

There are three reasons why NP is a concern for TM Management:

- i. It has a significant impact on TM's profitability, as it will become bad debt if not recovered, which will lead to a reduction in TM customer base. It is because of this



## CHAPTER 2 Literature Review

### 2.1 Understanding Why Customers Do Not Pay

According to Roger D. Colton (1991), “a failure to inquire into why customers do not pay has ramifications on the need for collection efforts as well on the effectiveness of collection efforts”. On the other hand, a failure to understand why people do not pay their bills may result in inappropriately severe collection being imposed on non paying households.

Colton further cited that temporarily losing employment, incurring extraordinary medical bills, or experiencing unusually high bills is all types of NP situations. These problems according to Colton might cause a household to face payment problems for short period of time. Alternatively, failing to inquire into why households do not pay their bills on time, may well result in collection techniques being pursued that have no hope for success.

A review of several studies helps the researchers to understand some of the factors that probably explain why customers do not pay their telephone bills.

#### 2.1.1 The Pennsylvania Study

In 1985 a Pennsylvania State University (Penn State) study had investigated at the payment troubled households in Pennsylvania<sup>1</sup>. The study found that the payment troubled households were experiencing considerable socioeconomic stress when compared to the pattern for the average (general) customers. The study further found that families encountering payment problems had a higher number of female heads of household,

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<sup>1</sup> Hyman, et al., “Optimizing the Public and Private Effects of Utility Service Terminations,” Public Utilities Fortnightly, (1985).