

Keywords: logistics; transportation; debt collection; debt recovery

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PAYMENT MONITORING AS A LEADING ISSUE IN THE OPERATION OF TRANSPORT COMPANIES IN POLAND

Summary. Nowadays, transport companies operate in a constantly changing environment and are exposed to various risks. One of the main problems of the carriers is the difficulty in obtaining payment for the provided services. The purpose of this article is to assess the scale of debt recovery problem in the Polish transport companies. The publication characterizes main reasons of the occurrence of delays in payments and describes the most effective methods of debt recovery. The article provides us with the results of the research conducted on a group of 50 randomly selected Polish transport companies. The paper is also based on the author's own work experience in the transport company.

1. INTRODUCTION

Activities of transport companies are associated with constant risk. Corporations that carry out goods transport on an international scale must meet a number of requirements to conduct their business. It is much more difficult owing to the current restrictions regarding the development of new enterprises engaged in the transport industry. According to the Polish Central Statistical Office data (GUS) for 2013 year, the road transport was the dominant form of transport in the European Union. Poland, behind Germany, is now the leading country when it comes to this form of goods transportation. In 2013, road transport loads that were transported weighed a total of 1.553.1 million ton. The amount increased by 4% compared with the previous year [1]. According to the data of the Main Road Transport Inspectorate for 2016, there were 33136 companies that dealt with goods transport on the terrain of European Union¹. Despite the large share of the European market and a number of investments in infrastructure, transport companies are faced with many difficulties in running their business. In the article, one can see the analysis of current issues of the logistics industry in Poland, with particular regard to the problem of payment monitoring and debt recoveries. The main object of the empirical research is to assess the extent of these problems and suggest methods to reduce their occurrence. The analysis was subjected to the research hypothesis, according to which the issue of proper monitoring and recovery in the transport industry is widespread. To verify this hypothesis, the author applied diagnostic survey method. For this purpose, a questionnaire was made available to the companies in an online version form. The study involved 50 Polish companies, operating in the area of international road transport.

2. CURRENT PROBLEMS OF THE TRANSPORT INDUSTRY

The activities of Polish carriers on the international market are connected with risk. One of the most important problems in the operation of transport companies is a high fluctuation in fuel prices.

¹ http://www.gitd.gov.pl/_data/assets/pdf_file/0009/59463/Dane-statystyczne-2016.pdf

The fuel costs are one of the main expenses transportation companies need to deal with [9]. They have limited ability to reduce such costs. Current fuel prices may amount to 40% of the total transport costs [3]. The sudden rise in fuel prices could lead to a sharp increase in the costs of management. Another major obstacle is the road charging system in the country and abroad, which is in favor of modern vehicles. To meet these stringent environmental standards, the carrier must invest in the modernization of its transport fleet.

Another major concern of the Transport-Shipping-Logistics (TSL) branch is to maintain sufficient liquidity. It concerns mostly small entities. Transport companies must fulfill their obligations, pay allowances to employees, and cover the costs associated with the maintenance of the vehicles in the short term. On the contrary, the payments for the service companies provide are received with a delay. This leads to problems with financial liquidity of companies, which are forced to outsource to finance their activities.

The problem of debt of private entities in Poland is becoming more and more common. According to Eurostat data, since 2004, the consolidated debt of private entities with reference to gross domestic product increased from 41.4% to 78.9% of GDP in 2015 [5]. According to data of the Central Statistical Office in Warsaw, the GDP increased in this period from PLN 922,437,6 million in 2004 to PLN 1,999,992 million in 2015[1]. The research conducted by P. Rytko shows that 96% of the surveyed enterprises had problems with regaining their receivables and 90% did not receive them at all.[15]. One of the main difficulties faced by transport companies is the problem of proper collection of receivables from customers. The main debtors of transport firms are shipping companies, which mediate between the client and the carrier. 'Forwarding' is the term that should be understood as a process of the organization cargo movements and execution of activities related to this cargo [18]. In this case, the duties of the forwarder can be performed by specialized bodies, dealing exclusively with this type of logistics service. Another form of organization of forwarding can also be a separate organizational unit in an enterprise engaged in the activities of freight forwarders. The period from the transportation services to the receipt of payment can increase significantly as a result of delineation of responsibilities between forwarding, enterprises, and transport companies as well as the division of responsibilities between these entities. Owing to the difficulties in recovering their receivables and low freight rates, transport companies fall into a spiral of debt. According to the data from the National Debt Register, there are approximately 21 thousand transportation companies in debt. Their financial liabilities increased to 664 million PLN in one year. [21]. It can be understood that the average debt of transport companies in the register is approximately 32,000 PLN. Transport companies, because of the difficulties in recovering debts from their customers, undertake liabilities, which cannot be settled. This issue affects 16038 companies listed in the national register of debt. Current legislation causes difficulties in recovering outstanding receivables. According to art. 793 of the Civil Code, the obligations of the cargo contract expire after a period of one year from the time of delivery. In the case of loss or delayed delivery, the time is counted from the moment of the planned delivery [2]. Article 77 of the Law of Lading also marks a period of one-year limitation for claims in respect of transport services. This period shall be suspended for the duration of the claim by the service provider until the response of the customer. The standard term for payment for transport services is 30-60 days. If the payment period exceeds 30 days, the carrier is entitled to calculate interest from the 31st day, on which the bill was delivered to the customer [19]. The law on payment period in commercial transactions also sets the maximum payment period of 60 days from the date of delivery to the counterparty bill of lading or other document confirming the functioning of the transport services. Creditor under this regulation shall also apply to lump sum in the amount of 40 EUR to compensate the cost recovery. In practice, the owners of transport companies rarely remember their rights. It often happens that contractors try to delay payment in various ways [4]. To recover debts effectively, the process should be initiated right after noticing irregularities owing to the short period of limitation process of recovery. Defining the concept of debt can be concluded by the statement that it is the right of an entity to receive a specific benefit in cash or benefit of any kind from the debtor [12]. This process can be divided into several main steps [20]:

- Initial vindication (amicable)
- Judicial proceeding
- Bailiff vindication

Initial vindication stage consists in contacting a creditor and the debtor, to explain the reasons for the lack of payment within the prescribed period. At this stage, the debtor may ask for payment by installments, setting another deadline for repayment, or other activities, depending on the circumstances in which entity is indebted. The creditor may, at this stage, inform the debtor about the consequences resulting from the lack of regulation of the obligations. These activities may result in entering the data of dishonest contractors to the database of the Credit Information Bureau or the Office of Economic Information. This can significantly affect the future creditworthiness of a debtor. Initial vindication, often called amicable, is not connected with relatively high costs linked to the recovery. It also allows to maintain the correct relationship with the debtor, which in the case of an effective recovery allows for further cooperation with the company. If agreement with the debtor cannot be reached, the creditors have the right to apply to the court with their claims. This involves submitting a claim to the court, and in case of a positive outcome of the case, obtaining a judgment ordering the payment of debts. In case of further problems in recovering debts, the court may issue a writ of execution, bearing the enforcement clause. With this type of document, execution can be carried out. This stage of debt collection is characterized with significantly higher administrative costs. It may also result in losing the customer. The advantage of judicial recovery is the suspension of the limitation period and greater effectiveness in the long-term receivables.

The third and final stage is the involvement of a bailiff in the process of recovery of debts. By using his/her powers, the bailiff may decide on the seizure of the property of the debtor with an aim to bid it and to fulfil the obligations of creditors. Conducting transport services with deferred payment carries a risk for the organization. Difficulties in recovering the obligations of contractors contribute to gridlock [8].

In addition to debt collection, companies can use a number of other measures to reduce the risk of non-payments within the payment deadline. The recovery process of debts is a complicated procedure. Its effectiveness is dependent mainly on the preventive measures taken by the company before the payment deadline [13]. To reduce losses related to non-receipt of payment, transport companies introduce measures such as follows:

- Monitoring the current financial situation of the contractor.
- Sending prompt notes.
- Constant telephone and email contact with a contractor.
- Using specialized software solutions.
- Careful signing trade agreements, including the rights and obligations of entities on debt collection.
- Transferring the risk by purchasing appropriate insurance policy [14].

The choice of the appropriate method of recovery depends mainly on the invoice value. In some cases, recovery of debts by debt collection agencies may prove to be most effective. On the contrary, this involves additional costs and the need to share recovered funds with the third party. The creditor usually uses the services of debt collection agency if it is more efficient or less expensive than an internal collection process [7]. In the case of firms with multiple creditors, transport companies may use the courts to recover their money, usually through bankruptcy or insolvency procedures [16]. The time remaining to limitation of the debt has also a significant effect on the effectiveness of recovery. The relations between the company and the creditor may be influenced by the use of debt collection to recover debts as well as reporting the matter to court. As a result, it can prevent from the further cooperation of these companies in the future. For this reason, these methods should be used as a last resort, and on the condition that company uses it securely, maintaining safety precautions. In some cases, creditors should consider the possibility of restructuring of debt. The restructuring plan must show whether the creditor has the real possibilities for the settlement of their claims, and the debtor has the ability to service their debts regularly [17]. Thanks to the use of these types of actions, it is possible to recover debt more effectively without influencing the relations with customers.

3. RESEARCH METHODOLOGY

To determine the scale of the debt collection problem in logistics companies, the author conducted a survey, where the representatives of 50 Polish transport companies operating in the area of international road transport services were questioned. Quantitative research was carried out with methods used in diagnostic survey and created for the purpose of a questionnaire. The survey was sent to 150 companies in the electronic version and was made available for the use of specialized forums. To deepen the analysis of the studied phenomenon, the researcher made also a qualitative study. As a part of the in-depth individual interview (IDI), the author of paper conducted a conversation with one of the employees from the Dutch shipping company VBT Transport B.V. This made it possible to know the position of shipping companies for the issue of debt collection.

4. ANALYSIS OF THE RESEARCH RESULTS

The survey was conducted on 50 business entities providing services related to international road transport. Table 1 presents the structure of the surveyed population in relation to the length of transport services. According to Chandler J. G, the longer a company exists in the market and the bigger it is, the more it signals that it can adjust to difficult economic conditions [6]. According to Klapper, companies with less experience (less than 4 years) rely less on bank financing and more on informal financing [11]. For this reason, these types of companies are more exposed to risks associated with the loss of liquidity.

Table 1

The duration of activity on the market

Response	Number of responses	Percentage
Up to 1 year	3	6%
1-2 years	6	12%
2-5 years	16	32%
5-10 years	11	22%
Above 10 years	14	28%

Source: Own Research

To assess the prevalence of problems associated with the recovery of payments, audited entity was asked the following question:

Has your company ever had problems with the collection of receivables from its customers?

Decisive majority, namely 49 of 50 companies (98%), stated that they have had problems with collecting receivables from their customers. As indicated by the presented results, difficulties in recovering receivables are frequently encountered situation in the transport industry. The surveyed companies were also asked about the main reason of late received payments. Table 2 shows the main causes of non-payments within the time limit in the opinion of surveyed companies.

Table 2

The main problems of delays in payment

Answer	Number of responses
Lack of appropriate documents confirming the performance of the carriage	6
Long-term absenteeism of contractor employees who are responsible for shipping payment	10
Malice of the contractor	40
Bankruptcy of the creditor	29
Unauthorized calculating fines and charges by the counterparty	7
Other reasons	7

Source: Own Research

As indicated by respondents, the main reason for non-payment in due time is the malice of the contractor. Transportation companies indicate that there are no special circumstances to withhold payment in general. One of the most important in the opinion of the surveyed companies is a problem with the solvency of contractors, which often results in their bankruptcy. The recovery of outstanding amounts from the company that announced bankruptcy is very difficult. Absences of persons responsible for the execution of payments are often indicated by the respondents for the cause of delays in the implementation of payment. It occurs in some forwarding companies. A particular person, in this case a payer, is responsible for the execution of transfers. In the case of long-term absence, the time realization of bank transfer will be extended.

According to the carriers participating in the survey, a common problem is that contractors often make unjustified deductions from the freight. It is a matter of dispute between carriers and their customers. In VBT Transport B.V., the shipping company uses a fully automated system for payments that is called Cargowise. It guarantees the receipt of payment within delay. According to company policy, payments are sent up to 45 days after the receipt of the required documents and their acceptance. The main causes of delays in making the payments relate to failure in providing a proof of delivery by the company transport and filled CMR letter. For loads requiring the exchange of pallets, this issue needs to be settled as well. In the case of making deductions from the freight VBT, the company send an email to the carrier with the invoice number and reasons for reduced payments. In the interview, the employees of the Dutch company said that they do not have any significant problems in cooperation with the Polish carriers. The only barrier, which often hinders cooperation, is no knowledge of German, English or Dutch languages by some Polish workers.

Calculation of charge by forwarding companies is due to the lack of relevant documents that testify the effectiveness of the transport or the lack of required data determined in the contract deadline. The agreements constituted between the carrier and the principal are often provisions relating to requirements for contractors associated with the need to provide the original CMR letter (Convention on the Contract for the International Carriage of Goods by Road) carried together with the invoice. Another type of condition instituted on the carrier is the need to have the adequate equipment, adapted to the specific nature of the cargo and the means of securing the load during transport. This is particularly important in the transport of dangerous goods. When the conditions of storing the transport order are not met, payment may be withheld until carrier delivers all necessary documents. Some of the respondents also indicated on the unethical practices of contractors. Their aim is to prolong the payment, limiting the liability.

Table 3

The average waiting time to receive payment

Answers	Number of replies	Percentage
1 to 2 weeks	5	10%
Up to 1 month	11	22%
From 1 to 3 months	24	48%
From 3 to 6 months	7	14%
Over 6 months	3	6%

Source: own research

In Table 3, information includes the average time that elapses from the completion of the transport service to receiving payment. As demonstrated by the results, nearly 50% of companies have to wait for the payment from 1 to 3 months. Overall, 14% of the respondents claimed this time is from 3 to 6 months. Longer waiting time for the receipt of payment may adversely affect the liquidity of transport companies. Execution of the transport service is closely connected with incurring costs, which must be kept regulated. This type of threat is particularly dangerous for small entities that do not have significant financial resources. Transport companies that cannot recover money from unscrupulous contractors may fall into a spiral of debt and become indebted to other entities. Therefore, is the problem of recovery one of the major problems faced by organizations in commercial transport of goods?

In the opinion of 74% of the respondents, debt collection is one of the main difficulties that companies active on the transport market have to face. The opposite view was of 26% of respondents, who indicated other difficulties. These difficulties include low transport rates, inaccurate and hostile legislation, and unfair competition, which leads to price undercutting for the carriage of goods beyond the limits of its profitability. For this reason, the company undertakes a number of measures to enhance the collectability of receivables from debtors. The main methods used by the company in recovering its receivables are as follows:

- Telephone and email contact with the creditor to remind of overdue payments.
- Hiring a debt collection company.
- Creating a blacklist of companies to stop further cooperation with them.
- Recovery through freight exchange platforms (Timo-Com, Trans) that help customers in the recovery of debts.
- Lawsuit.
- Using a database of trusted and honest contractors.

As indicated by the received responses, transport companies participating in the survey are focusing on the use of traditional methods in debt recovery. None of the surveyed companies used specialized computer software for debt recovery. The reasons for this state of affairs can vary. Companies often do not want to make changes, because they are associated with incurring costs. Companies are not convinced whether the change will get the desired effect and will help to increase effectiveness of the debt recovery on the Polish market.

There are several tools to monitor payments. An example of this type of software program is e-windykator. The program is based on a subscription fee, and its cost vary from 299 up to 999 PLN a month, depending on the package. This tool is used to send letters of reminder to clients who are in arrears with payments. The software also allows the user to establish how the customer will receive the notification of the outstanding debt. It also allows the user to select the manner in which this information will be delivered. The application supports mass mailing with the use of e-mails, SMS, vms, fax, and traditional mails. The main advantage of this software is its compatibility with numerous accounting software, which allows for fast transfer of the database to the program.

Despite the low level of use of computer software, transport companies are using a variety of other methods to improve the efficiency and speed in the recovery of receivables from customers. They mainly focused on the verification of the financial condition of the contractor before the company provides their service. Most frequently used for this purpose are public records, such as National Debt Register. This allows to assess the risks associated with the cooperation with the entity. If the level of risk is acceptable, then the cooperation between these companies is possible. Initial Customer Review also gives the possibility of flexible adaptation of the payment terms to the current financial capabilities of the customer. Accurate verification becomes problematic and difficult in the case of the international contractors.

Currently, the transport industry does not have the provision for the use of integrate national registers of debtors in a single database, which would cover the entire European Union territory. Verification of counterparties may prove to be much more effective in case of using a larger base of clients from all European Union countries. A thorough check of the counterparty is much more difficult if the main source of orders are freight exchange platforms. In such situations, assessment of carriers performing transport for companies, which have not worked before full verification of these entities, is problematic and difficult to implement.

5. CONCLUSION

Analysis of the results relating to debt collection in the transport industry proved that the Polish carriers have a problem with the recovery of its receivables. Taking into account the opinions of the surveyed companies, late payment is a common situation, which affects in varying degrees the entire industry. Owing to the lack of available data, it is difficult to make a reliable financial statement

analysis that could assess the current and future financial, capital, and income situation of a probable client [10].

To increase the collection of debt from the contractors, the companies most often use traditional methods, which rely on the telephone contact and e-mail. In difficult cases, the matter shall be referred to a debt collection company. A major issue is also related to the companies that declared bankruptcy. As shown by a study conducted by Karim S. Thorburn, in the case of company bankruptcy, debtholders recover 35% of the face value of their claims, with 27% recovery rate for piecemeal liquidations and 39% recovery for going concern sales. This means that the process of debt recovery should begin as soon as possible in order to apply the most effective methods.

Despite the high availability of online programs on the market, companies are not willing to use these tools to manage payments. Introducing computer software to calculate and handle the debt may result in reducing the problems related to loan collection in the future. Another issue is to change the legislation to protect carriers and their customers. Effectively implemented, the new regulations should be profitable for customers and suppliers and outweigh the costs associated with their implementation [21]. This article does not cover the problem of payment monitoring in all aspects. It is necessary to carry out research that will include a larger group of transport companies. This type of analysis may appear to be helpful in improving efficiency in the collection of debts from dishonest contractors. It may also help with their initial verification. Despite the existing problems with debt recovery, transport market in Poland is rapidly growing and continues to provide the strength for the Polish economy.

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Received 15.06.2017; accepted in revised form 27.11.2018