

Barriers to the Use of Factoring Accounts Receivables: Ghanaian Contractor's Perception

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Abstract : Factoring accounts receivable is widely accepted as an alternative financing source and utilized in almost every industry that sells business-to-business or business-to-government. However, its patronage in the construction industry is very limited as some barriers hinder its application in the construction industry. This study aims at assessing the barriers to the use of factoring accounts receivables in the Ghanaian construction industry. The study adopted the sequential exploratory research method where structured and unstructured questionnaires were conveniently distributed to D1K1 and D2K2 construction firms in Ghana. Using the one-sample t-test and Kendall's Coefficient of concordance data was analyzed. The most severe challenge concluded is the high cost of factoring patronage. Other critical challenges identified were low knowledge on factoring processes, inadequate access to information on factoring, and high risks involved in factoring. Hence, it is recommended that contractors should be made aware of the prospects of factoring of accounts receivables in the construction industry. This study serves as basis for further rigorous research into factoring of accounts receivables in the industry.

Keywords : barriers, contractors, factoring accounts receivables, Ghanaian, perception

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