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# A STUDY ON RECEIVABLE MANAGEMENT AT INDIAN TOBACCO DIVISION MEENAKUTTE VILLAGE JALA HOBALI

**Author-**

Ms. Ganavi AR

USN-1VA21BA013
Department of Management Studies,Sai Vidya Institute of Technology, Bengaluru-64.

**Co-Author-**

Dr. D Jogish Professor & HOD
Department of Management Studies,Sai Vidya Institute of Technology, Bengaluru-64.

## ABSTRACT

This research explores the field of receivable management with the goal of offering a thorough examination of the numerous practices and techniques used by organizations to maximize productivity and improve financial performance. A company's liquidity and profitability are substantially impacted by receivables, a crucial part of working capital. This research analyses the complex link between receivable management practices and their related consequences on cash flow, operational expenses, and overall financial health by looking at a varied variety of sectors and firm sizes.

**Keywords:**
Accounts payable management, working capital, financial performance, cash flow, efficiency, credit policies, collection strategies, profitability, trade credit, , credit risk, debtor turnover, financial ratios, and receivables turnover.

## INTRODUCTION

## MEANING OF RECEIVABLE MANAGEMENT

The quantity of money that has yet to be paid it is known as a receivable. Thus, the sum of money owed by clients might be described as accounts receivable. Management of accounts receivable must be done correctly. The management of receivables maintains track of what clients purchase from a business on credit. It could cover payment conditions, credit guidelines, sending follow-up letters, and payment collection. Because clients obtain goods and services without making an advance payment, receivables management is sometimes "buying on credit."

A sustainable cash flow, prompt payment of bills, and reduced risk of bad debts are all dependent on efficient receivable management. It entails a number of activities and techniques, including billing, credit rules, keeping track of payment due dates, client interaction, and handling past-due accounts.

## FACTORS INFLUENCING RECEIVABLE MANAGEMENT

- **Credit rules**: A company's rules for giving its clients credit have a big influence on its receivables. These regulations include credit limits, payment conditions, and consumer creditworthiness assessment.
- **Customer Mix**: A company's receivables may vary depending on the sorts of clients it services. Payment habits, creditworthiness, and preferred payment arrangements may vary across various client categories.
- **Economic Conditions**: Customers' capacity to make on-time payments may be impacted by economic conditions such as the state of the broader economy, inflation, interest rates, and unemployment rates.
- **Industry Standards**: Each industry has itself standards for credit periods and payment cycles. Businesses frequently match these industry standards with their receivables management procedures.
- **Customer relationships**: The degree of interaction and communication with customers might affect how soon they make payments debts. Better collaboration in following payment requirements might result from strong ties.

**Need for the receivable management**

- **Cash Flow Optimising:**

Effective receivables management guarantees a consistent and predictable cash flow. Businesses are able to satisfy their financial responsibilities, pay for operating costs, and engage in development prospects thanks to prompt client payment collection.

- **Working Capital Optimization:**

Receivables are money that is attached to outstanding bills in working capital management. A company may free up restricted cash by managing receivables well, which can then be utilised to fund on-going operations, invest in new initiatives, or settle debt.

- **Minimizing Bad Debt:**

It's many consumers could afford to fulfill their financial obligations. Managing receivables involves evaluating the creditworthiness of clients and setting credit caps to mitigate the threat of unpaid debts, amounts that could negatively impact a company's fiscal robustness.

- **Financial Planning :**

Accurate and up-to-date receivables data holds paramount importance for financial projection and strategic planning, as businesses need to anticipate cash inflows and outflows to facilitate informed decision-making.

**Benefits of the receivables managements**

- Receivables boost an organization's sales volume & income.
- Receivables shield a business from rivalry.
- A company's receivables make up a component of its venture capital.
- Money generated by receivables can to be used by the company to cover its day-to-day operational expenses.
- Receivables are a long-term and short-term finance alternative.

## LITERATURE REVIEW

**1. Title: Effect of receivables management on profitability: A study of commercialvehicle industry in India**

**Author: D JindalYear : 2017**

The survival of an organization hinges on its adeptness in handling working capital. Achieving success necessitates the growth of a business. Among the integral aspects of a company's working capital strategy, the management of receivables holds paramount importance. This study empirically scrutinizes the correlation between business profitability and the attainment of effective receivables management, as illustrated by the debtor turnover ratio, within India's commercial vehicle sector. The assessment of profitability was based on the employed. The investigative work spanned the timeframe from 2009 to 2016.The outcomes unveil a noteworthy association between the earnings of a business and its debtor turnover ratio. This underscores the significance of prioritizing receivables management as a primary avenue for augmenting profitability within this industry.

**2. Title: Receivables management and supply chain finance for MSMEs: Analysis ofTREDS**

**Author: NN ChatnaniYear : 2018**

For each business firm's ongoing operations working capital refers to just as crucial as long-term capital. Because Work-related capital is frequently referred to be the "lifeblood of any organization," It is an essential component of corporate financial management The owners of a business's cash reserves strategy has a substantial effect on its liquidity, viability, solvency, and profitability. Smith (1980) highlighted the trade-off between liquidity and profitability.

**3. Title : Receivable Management of Indian Automakers in a Revived Scenario**

**Author: E BennetYear : 2011**

General Motors India, Mahindra & Mahindra, Maruthi Suzuki, and Tata Motors marked a turning point in the nation's automotive history in January 2010 when they posted their highest monthly sales ever. Profitability is influenced by how a company handles its working capital. Because it can The success of a business, planning must be taken seriously. done well. The automobile sector is undergoing quick expansion. Since the end of the global financial crisis, the the auto sector expanded especially quickly in contrasted with sectors. Between 1999 and 2009, data was gathered from a group of eleven companies, chosen for their scale, with the objective of validating the authentic control of receivables among these sample firms

**4..Title: Ownership structure and receivables managementAuthor: R Krishnankutty**

**Year : 2020**

The study looks into how Indian commercial companies' receivables are affected by their ownership structure. It implies that owners become more driven to monitor managerial performance as ownership holdings rise. Institutional-owned businesses and businesses with concentrated promoter shares have a lower ratio of receivables to sales. The study's analysis of 1,164 businesses revealed a negative relationship between the promoter holding percentage and the ratio of receivables. Business factors did not, however, appear to have an impact on this association.

## RESEARCH GAP

In receivable management research gap refers to areas of the topic that haven't been properly explored or examined in earlier works. Technology is evolving quickly, therefore it's critical to understand how cutting-edge platforms and artificial intelligence, chain of custody, and , and machine learning could improve receivable management practices. Research might be used to examine the efficacy and efficiency of these technologies in improving collections, credit choices, and overall receivable performance.

## RESEARCH DESIGN

## QUANTITATIVE RESEARCH

To be able to obtain understanding of events, correlations, patterns, or trends, quantitative research employs a systematic and structured method to gathering, analyzing, and interpreting numerical data. This kind of study entails collecting data that can be measured and quantified, frequently using standardized tools like experiments, surveys, or questionnaires. With the use of objective and factual data from quantitative research, researchers may test hypotheses, make predictions, and come to statistically sound conclusions**.**

## DATA COLLECTION

The utilization of both primary and secondary data sources to get information. The following is alist of them in further detail:

**Primary data:**

This is recent information that was recently obtained. Discussions with the organization's staffmembers and finance management are how the data or knowledge is acquired.

**Secondary data:**

The data what was gathered through websites and journals, books, and previous data.

- A copies of company's annual financial statement.
- Books
- Company website

**Hypothesis**

- There is no Significant Relationship Between Sales with Debtors
- There is a Significant Relationship Between Sales with Debtors

**TOOLS**

The date collected is analyzed with the following tools:

- Statistical tool
- Paired sample T-test

**RESEARCH OBJECTIVES**

- To study receivable position at ITC Ltd for the least 5 Year
- To Analyze the Trade Receivable ageing schedule at ITC Ltd for the 5year
- To determine in extent to where the credit period is offending the profitability of the company

**LIMITATIONS OF THE STUDY**

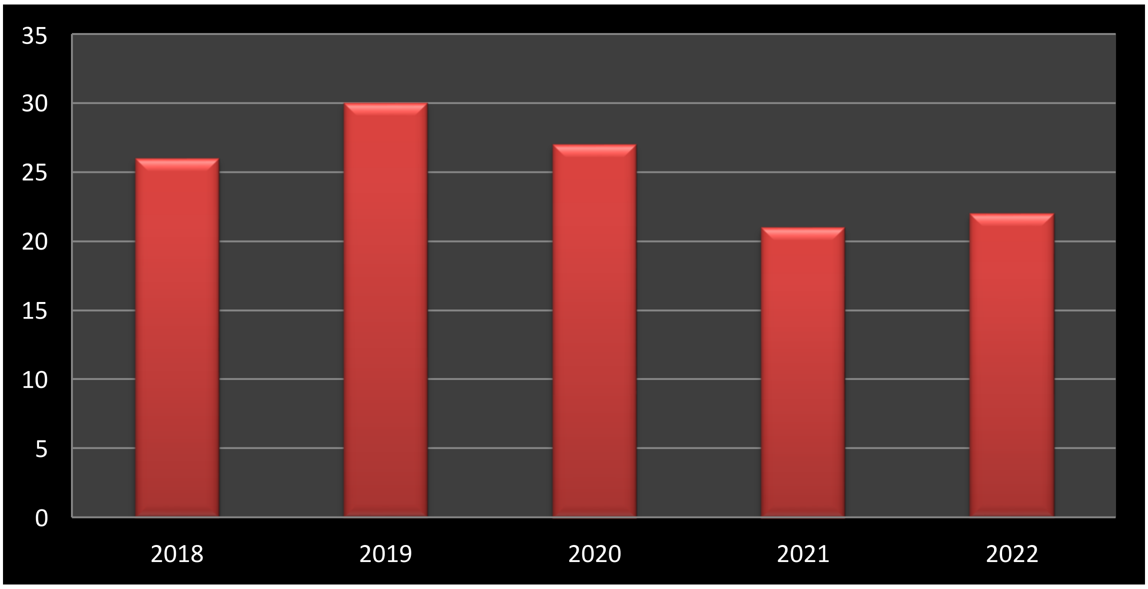
- The information for this study is basically secondary data that is derived from the already available data from the Accounts Department at ITC LTD.
- There has been no fresh collection of data; the available data has been utilized.
- Since the analysis's foundation information provided by the officials at ITC LTD, if the information is modified according to their convenience, there may be false representation of the results may be misleading.

## DATA ANALYSIS

### Debt collection period tread receivable

| year | debtors | sales | period |
|---|---|---|---|
| 2017-2018 | 149062722 | 2118438529 | 26 days |
| 2018-2019 | 210356224 | 2551767323 | 30 days |
| 2019-2020 | 232025566 | 3154367191 | 27 days |
| 2020-2021 | 203148049 | 3568291996 | 21 days |
| 2021-2022 | 252260569 | 4118391386 | 22 days |

**Table showing in the debt collection period**




**Analysis**

Examining the data in the table below, we can analyze the debt the deadline for business receivables collections spanning from 2017 to 2022. The "debtors" category represents the overall sum of outstanding receivables, while the "sales" category denotes the total sales achieved over the various years. In the "period" column, we find the mean number of days required to retrieve outstanding debts. The statistical figures reveal a consistent reduction in the duration of debt collection by the organization over these years, maintaining an average range of approximately 22 to 30 days. This trend underscores the organization's adeptness in credit management, reflecting efficiency and effectiveness.

**Paired Sample T- test Paired Samples Statistics**

| | | Mean | N | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| Pair 1 | debetor | 209370626.0000 | 5 | 38825019.86400 | 17363076.72873 |
| | sales | 3102251285.0000 | 5 | 794256074.59361 | 355202114.86669 |

Sample In Pairs Correlations

| | | N | Correlation | Significance | |
|---|---|---|---|---|---|
| | | | | One-Sided p | Two-Sided p |
| Pair 1 | debetor & sales | 5 | .816 | .046 | .092 |

**Paired Samples Test**

| | | Paired Differences | | | | | t | df | Significance | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Mean | Std. Deviation | Std. Error Mean | Range of Variation with a 95% level of confidence | | | | One-Sidedp | Two-Sidedp |
| | | | | | Lower | Upper | | | | |
| Pair 1 | debetor - sales | -2892880659.00000 | 762905026.69588 | 341181500.01366 | -3840152364.69696 | -1945608953.30304 | -8.479 | 4 | <.001 | .001 |

**Paired Samples Effect Sizes**

| | | | Standardizer[a] | Point Estimate | 95% Confidence Interval | |
|---|---|---|---|---|---|---|
| | | | | | Lower | Upper |
| Pair 1 | debetor - sales | Cohen's d | 762905026.69588 | -3.792 | -6.455 | -1.136 |
| | | Hedges' correction | 956159655.38701 | -3.026 | -5.151 | -.906 |

A the numerator used to calculate effect sizes.
The sample standard deviation of the mean difference is used in Cohen's d.
The sample standard deviation of the mean difference and a correction factor are used inHedges' adjustment.

## Finding

1. Total debtors (outstanding receivables) for the corporation have steadily climbed from 149,062,722 in 2017-2018 to 252,260,569 in 2021-2022, demonstrating overall business expansion.
2. Sales in general have risen as well. steadily, rising from 2,118,438,529 in 2017-2018 to 4,118,391,386 in 2021-2022, suggesting rising business revenue.
3. The average debt collection duration has decreased over the years, falling from 26 days in 2017-2018 to 22 days in 2021-2022. This implies a smooth credit administration and collection procedure.
4. Sales increased by roughly 94.29% from 2017-2018 to 2021-2022, demonstrating significant business expansion over this time period.
5. Total debtors increased at a pace of around 69.42% from 2017-2018 to 2021-2022, indicating a considerable increase in outstanding receivables.

## Suggestion

- Continuous Rise in Debtors:

The corporation's total debts have continuously grown throughout time, rising from 149,062,722 in 2017–2018 to 252,260,569 in 2021–2022. This upward tendency suggests that the business' expansion efforts have been effective and that it is able to draw in more clients.

- expanding sales revenue:

A comparable steady rise in total sales has been seen, going from 2,118,438,529 in 2017–2018 to 4,118,391,386 in 2021–2022.This relationship between increasing sales and outstanding receivables suggests that a larger client base is producing more income.

- Effective Debt Recovery:

The typical time it takes to recover a debt has shrunk from 26 days in 2017–2018 to 22 days in 2021–2022.The company's cash flow and financial stability are enhanced by this reduction, which denotes an improved credit administration and collection process.

- measurable sales growth:

Sales have increased by about 94.29% between 2017–2018 and 2021–2022, indicating a significant increase in business. This remarkable expansion points to excellent market penetration and commercial strategy.

- Increase in Debtors Quickly:

From 2017–2018 to 2021–2022, the amount of outstanding receivables grew by approximately 69.42%.This quick increase is a result of the business's ability to draw in new customers and keep hold of existing ones, which increased the amount of outstanding receivables..

**Conclusions:**

According to the data analysis, the firm will develop significantly between 2017–2018 and 2021–2022, with a growth rate of 94.29%. Effective market penetration tactics and well implemented commercial strategies are credited with this rise. Market share has been effectively gained, possibilities who have been exploited, and a larger consumer base has been drawn. The company's improving financial health It is displayed the 69.42% increase in outstanding receivables from 2017–2018 to 2021–2022, which is consistent with increased sales and effective receivable management. As the business grows, maintaining customer happiness and controlling rising receivables are essential to its success.

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