International Journal of Humanities Social Science and Management (IJHSSM)
Volume 3, Issue 2, Mar.-Apr. 2023, pp: 1116-1122 www.ijhssm.org

A Study on Receivable Management of Cr Garments At Tiruppur

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Date of Submission: 09-04-2023 Date of Acceptance: 23-04-2023

ABSTRACT

There is a direct relationship between a firm's growth and working capital needs. As sales grow, the firm needs to invest more in inventories and debtors. The finance managers should determine levels and composition of current assets, which will help to run the business smoothly. Account receivables are one of the major components of working capital. Receivables are a direct result of credit sales. The sale of good on credit is an essential part of competitive economic system. The credit sales are generally made on open account in the sense that there is no formal acknowledgement of the debt obligation through a financial instrument. The extension of credit involves risk and cost. The objectives of credit management is to "promote sales and profit until that point is reached" where the return on investment in further funding receivables is less than the cost of funds raised to finance that additional credit.

Keywords: Receivable Management, Credit, Working Capital.

I. INTRODUCTION

Receivable Management is a strategy that involves the process of designing and monitoring the policies that govern how a company extends credit to its customer base. The idea behind this process is to minimize the amount of bad debt that the company will eventually incur due to customers failing to honour their commitments to repay the total amount of the credit purchases. Typically, the process of Receivable Management begins with evaluating potential customers in terms of credit worthiness, identifying a credit limit that carries a level of risk that the company is willing to assume, and then monitoring how well the customer makes use of that available credit, including making regular payments within the terms and provisions associated with the credit account.

One of the basics of Receivable Management is to accurately assess what type of credit line to extend to a given customer. A number of factors go into making this determination, including the credit rating of the client, current ratio of debt to average income, and the presence of any negative items on the customer's credit reports. With this information in mind, it is possible to have some idea of how much credit the customer can reasonably be expected to manage and not present a high risk for defaulting on any outstanding balance.

1. OBJECTIVES OF THE STUDY

- To know how the receivables are managed in Garments industry.
- To analyze as to which extent, they were offering credit.
- To find out the trend analysis of the company
- To provide finding, suggestions and conclusions based on the study.
- To know how the receivables were managed

2. RESEARCH METHODOLOGY

Research Methodology is a systematic way to solve a research problem; it includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them. The present study was conducted at CR garments.

TOOLS OF THE STUDY

- Ratio Analysis
- Trend percentage analysis
- Comparative statement analysis

3. REVIEW OF LITERATURE

- **Wallis, Lyle Paul (2017)** said the entire U.S. Economy is under excessive stress. Faced with these surroundings, receiver managers increasingly want to ensure the feasibility of their very own enterprise. Although there is no incentive to preserve revenues, implementing strict safety features in phrases of credit score authorization is essential, so powerful management of this asset (usually the biggest asset at the stability sheet) is a necessary condition in trendy monetary surroundings.

➢ **Deloof, M (2017)** determined that there was a tremendous terrible correlation between general working profits and the Belgian corporation's debts receivable, stock, and payable days. These effects display that managers can create cost for their shareholders by way of lowering the amount of 1-day bills receivable and inventory to a reasonable minimum. The terrible relationship between accounts payable and profitability is inconsistent with the view that genes with terrible profitability are waiting longer to pay payments.

➢ **Reddy Sudharsana G. Shri (2018)** of their look at attempted to evaluate the accounts receivable management practices of selected small-scale industries inside the Peenya Industrial Zone in Bangalore. The predominant result is: The principal reason for credit extension is that the power is a promotional tool and notes receivable are the principal shape of credit score sales. The consumer's reputation is judged based on their past courting with the consumer. The unit collects prices directly from customers, and each consultant and unit do no longer like courts for defaulting customers.

4. ANALYSIS
RATIO ANALYSIS
CURRENT RATIO

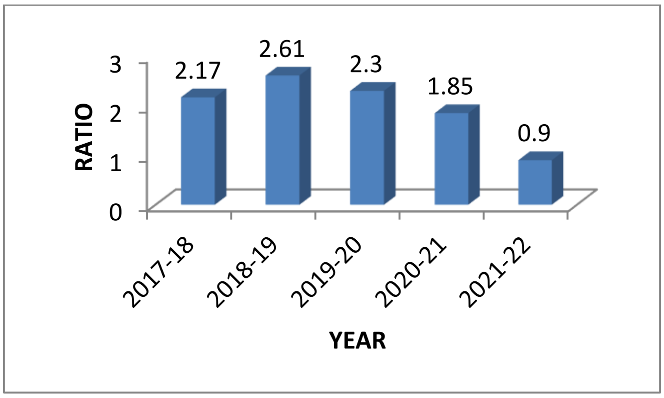
Year	Current Assets Rs. In Lakhs	Current Liabilities Rs. In Lakhs	Ratio
2017-18	947.45	437.05	2.17
2018-19	1,471.64	564.55	2.61
2019-20	1,754.18	763.46	2.30
2020-21	1,707.86	924.28	1.85
2021-22	1,240.09	1,375.01	0.90

Source: Secondary Data

INTERPRETATION

The current ratio is a measure of firm's short-term solvency. During the year 2017-18 the current ratio is 2.17 which are increased to 2.61 in the year 2018-19. From the next three year it decreased when compared to 2019-22. So, the current ratio decreasing trend. Highest current ratio is 2.61 in the year of 2018-19 and the lowest ratio is 0.90 in the year 2021-22. So, the current ratio 2.61 in standard ratio 2:1

CURRENT RATIO



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TREND ANALYSIS

RAW MATERIALS			PROFIT BEFORE TAX		PROFIT AFTER TAX	
YEAR	**AMOUNT Rs. In Lakhs**	**TREND %**	**AMOUNT Rs. In Lakhs**	**TREND %**	**AMOUNT Rs. In Lakhs**	**TREND %**
2017-18	1156.31	**100**	136.07	**100**	137.32	**100**
2018-19	1698.41	**146.88**	361.07	**265.36**	331.71	**241.56**
2019-20	1289.09	**111.48**	-31.10	**-22.86**	26.53	**19.32**
2020-21	1454.61	**125.79**	135.98	**99.95**	148.25	**108.70**
2021-22	1373.24	**118.75**	-96.16	**-70.68**	-66.45	**-48.72**

INTERPRETATION
In the years, 2018, 2019 and 2020 trend values were highly satisfactory and however during 2021 it was normal and by 2021-22 trend analysis has been lowed and unsatisfactory. The decreasing trend percentage is reassuring.

TREND ANALYSIS

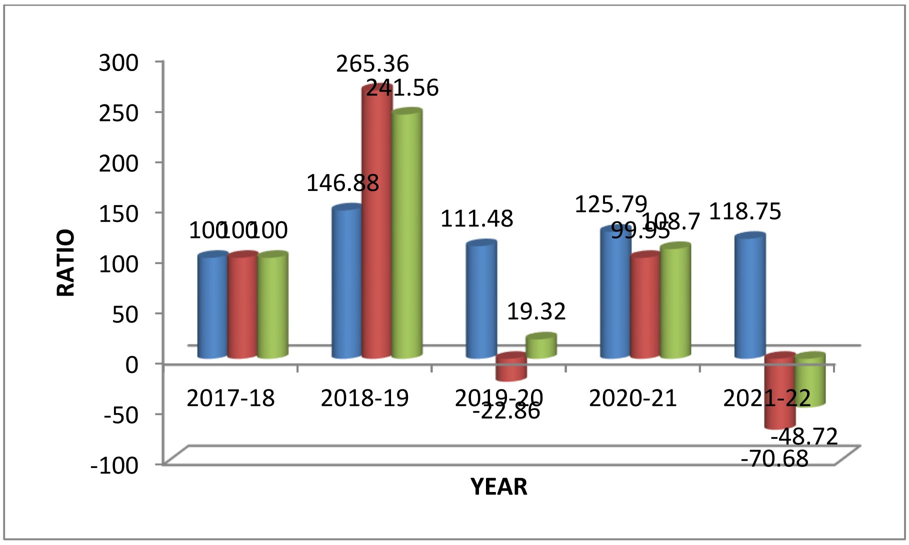

TABLE NO 4.17

COMPARATIVE BALANCE SHEET

COMPARATIVE BALACE SHEET FOR THE YEAR OF 2018-2019
Rs. In Lak

LIABLITIES	**2018**	**2019**	**Increase / Decrease**	**Percentage**
ASSETS				
Current assets:				
Inventories	255.43	782.43	527.00	206.32
Sundry Debtors	220.36	215.44	-4.92	-2.23
Cash and bank balance	34.57	16.92	-17.65	-51.05
Loans and advances	437.09	456.75	19.66	4.50
Fixed deposit	0.00	0.00	0.00	0.0
Total (a)	947.45	1471.54	524.09	55.32
Fixed assets:				

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Net block Capital work in progress	759.59 49.17	1224.51 62.01	464.92 12.84	61.21 26.11
Total (b)	808.76	1286.52	477.76	59.07
Investment Miscellaneous expense	682.78 0.00	871.10 0.00	188.32 0.00	27.58 0.00
Total (c)	682.78	871.10	0.00	0.00
TOTAL ASSETS (A+B+C)	**2438.99**	**3629.16**	**1190.17**	**48.80**
LIABILITIES **Current liabilities:** Current liability & provision	437.05	564.55	127.5	29.17
Total (a)	437.05	564.55	127.5	29.17
Share capital Net worth	1212.23	1341.62	129.39	10.67
Total (b)	1212.23	1341.62	129.39	10.67
Total debt (c)	789.71	1723.09	933.38	118.19
TOTAL LIABILITIES (A+B+C)	**2438.99**	**3629.26**	**1190.17**	**48.80**

Source: Secondary Data

INTERPRETATION

From the above table shows the comparative balance sheet on 2018-2019. In the year of 2018 fixed assets are increased for 62.01. The net worth has been increased by Rs. 1341.62. The current assets have increased to 1471.54. The current liabilities have been increased to Rs. 564.55.

COMPARATIVE BALACE SHEET FOR THE YEAR OF 2019-2020
Rs. In Lakhs

LIABLITIES	**2019**	**2020**	**Increase / Decrease**	**Percentage**
ASSETS **Current assets:** Inventories Sundry Debtors Cash and bank balance Loans and advances Fixed deposit	 782.43 215.44 16.92 456.75 0.00	 1049.66 247.39 63.22 393.91 0.00	 267.23 31.95 46.3 -62.84 0.00	 34.15 14.83 273.64 -13.76 0.0
Total (a)	1471.54	1754.18	282.64	19.21
Fixed assets: Net block Capital work in progress	 1224.51 62.01	 1476.26 48.89	 251.75 -13.12	 20.55 -21.16
Total (b)	1286.52	1525.15	238.63	18.55
Investment Miscellaneous expense	871.10 0.00	544.78 0.00	-326.32 0.00	-37.46 0.00
Total (c)	871.10	544.78	-326.32	-37.46
TOTAL ASSETS (A+B+C)	**3629.16**	**3824.11**	**194.95**	**5.37**
LIABILITIES **Current liabilities:** Current liability & provision	564.55	763.46	198.91	35.23
Total (a)	564.55	763.46	198.91	35.23
Share capital Net worth	1341.62	1274.32	-67.3	-5.02
Total (b)	1341.62	1274.32	-67.3	-5.02
Total debt (c)	1723.09	1786.33	63.24	3.67

TOTAL LIABILITIES (A+B+C)	**3629.26**	**3824.11**	**194.95**	**5.37**

Source: Secondary Data

INTERPRETATION

From the above table shows the comparative balance sheet on 2019-2020. In the year of 2019 fixed assets are decreased for 48.89. The net worth has been decreased by Rs. 1274.32. The current assets have increased to 1754.18. The current liabilities have been increased to Rs. 763.46.

COMPARATIVE BALACE SHEET FOR THE YEAR OF 2020-2021
Rs. In Lakhs

LIABLITIES	2020	2021	Increase / Decrease	Percentage
ASSETS **Current assets:** Inventories Sundry Debtors Cash and bank balance Loans and advances Fixed deposit	 1049.66 247.39 63.22 393.91 0.00	 1078.84 264.50 42.09 322.43 0.00	 29.18 17.11 -21.13 -71.48 0.00	 2.78 6.92 -33.42 -18.15 0.0
Total (a)	1754.18	1707.86	-46.32	-2.64
Fixed assets: Net block Capital work in progress	 1476.26 48.89	 1475.52 24.16	 -0.74 -24.73	 -0.05 -50.58
Total (b)	1525.15	1499.68	-25.47	-1.67
Investment Miscellaneous expense	544.78 0.00	682.93 0.00	138.15 0.00	25.35 0.00
Total (c)	544.78	682.93	138.15	25.36
TOTAL ASSETS (A+B+C)	**3824.11**	**3890.47**	**66.36**	**1.73**
LIABILITIES **Current liabilities:** Current liability & provision	 763.46	 924.28	 160.82	 21.06
Total (a)	763.46	924.28	160.82	21.06
Share capital Net worth	 1274.32	 1364.08	 89.76	 7.04
Total (b)	1274.32	1364.08	89.76	7.04
Total debt (c)	1786.33	1602.11	-184.22	-10.31
TOTAL LIABILITIES (A+B+C)	**3824.11**	**3890.47**	**66.36**	**1.73**

Source: Secondary Data

INTERPRETATION

From the above table shows the comparative balance sheet on 2020-2021. In the year of 2020 fixed assets are decreased for 1499.68. The net worth has been increased by Rs. 1364.08. The current assets have decreased to 1707.86. The current liabilities have been increased by Rs. 924.28.

COMPARATIVE BALACE SHEET FOR THE YEAR OF 2021-2022
Rs. In Lakhs

LIABLITIES	2021	2022	Increase / Decrease	Percentage
ASSETS **Current assets:**				

Inventories Sundry Debtors Cash and bank balance Loans and advances Fixed deposit	1078.84 264.50 42.09 322.43 0.00	688.49 243.77 79.58 228.25 0.00	-390.35 -20.73 37.49 -94.18 0.00	-36.18 -7.84 89.07 -29.21 0.0
Total (a)	1707.86	1240.09	-467.77	-27.39
Fixed assets: Net block Capital work in progress	 1475.52 24.16	 1418.25 33.21	 -57.27 9.05	 -3.88 37.45
Total (b)	1499.68	1451.46	-48.22	-3.21
Investment Miscellaneous expense	682.93 0.00	778.38 0.00	95.45 0.00	13.98 0.00
Total (c)	682.93	778.38	95.45	13.98
TOTAL ASSETS (A+B+C)	**3890.47**	**3469.93**	**-420.54**	**-10.81**
LIABILITIES **Current liabilities:** Current liability & provision	 924.28	 1375.01	 450.73	 48.77
Total (a)	924.28	1375.01	450.73	48.77
Share capital Net worth	 1364.08	 1285.58	 -78.5	 -5.75
Total (b)	1364.08	1285.58	-78.5	-5.75
Total debt (c)	1602.11	809.34	-792.77	-49.48
TOTAL LIABILITIES (A+B+C)	**3890.47**	**3469.93**	**-420.54**	**-10.81**

Source: Secondary Data

6.FINDINGS

1. Highest current ratio is 2.61 in the year of 2018-19 and the lowest ratio is 0.90 in the year 2021-22. So the current ratio 2.61 in standard ratio 2:1
2. Highest working capital turnover ratio is 3.10 in the year 2017-18 and the lowest ratio is-17.68 in the year 2021-22
3. Highest cash position ratio is 0.08 in the year 2017-18 and 2021-22. And the lowest ratio is 0.03 in the year 2018-19 so the standard ratio 0.75:1 of cash position ratio is 0.08.
4. Highest debtor's turnover ratio is 9.79 in the year 2021-22 and the lowest ratio is 7.18 in the year 2017-18. So the debtor's level is well position
5. Highest receivable to working capital ratio is 0.43 in the year 2017-18 and the lowest ratio is -1.81 in the year 2021-22.
6. The highest average collection period is 1520 in the year 2018-19 and the lowest days is 201 in the year 2021-22.
7. Highest receivable to current assets ratio is 0.23 in the year 2017-18 and the lowest ratio is 0.14 in the year 2019-20.
8. Highest net profit ratio is 16.65 in the year 2018-19 and the lowest ratio is -2.88 in the year 2021-22.
9. Highest Return on Total Assets ratio is 10.82 in the year 2018-19 and the lowest ratio is -3.17 in the year 2021-22.
10. Highest Gross Profit Ratio is 23.53 in the year 2018-19 and the lowest ratio is 0.36 in the year 2021-22.

7. SUGGESTIONS

- As the cash collection against the receivables helps in meeting the short-term obligations, the collection system of the Garments should be maintained in an effective manner.
- The collection efforts are tightened at the last five years during the study period. Instead of hurrying up at the last minute the collection efforts should be under taken by the firm promptly.
- The company may automate the receivables management by making use of suitable software packages which help in realizing an immediate and substantial increase in cash received.

8. CONCLUSION

During the project study period, major department are covered. The receivable management is the key area of the working capital management. The main purpose of the project is to analysis the financial performance of the company. The detailed observations are presented in the form of analysis in the previous chapter.

The major financial performance indicators of Garments for the five-year period in terms of ratios like liquidity ratios, creditor's turnover ratio, debtor's turnover ratio of the company and so many data used in this project work. The company should take most care in case of new and risky customers. The credit terms offered by the firm differ from the customer to customer depending upon their past dealings.

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