CONCLUSIONS & SUGGESTIONS

This chapter presents the summary of main findings of our study highlighting strengths and weaknesses, of the overall management of working capital in general and receivables management in particular in the companies covered by study i.e. National Fertilisers Limited, Deepak Fertilisers and Chemical Limited and Indo Gulf Fertiliser Limited. This is also followed by suggestions for improving their efficiency and effectiveness.

Findings of the Study: Working capital management is an integral part of overall financial management and is concerned with problems that arise in attempting to manage the current assets and current liabilities and interrelationships that exist between the two. Shortage of funds for working capital as well as the uncontrollable over expansion of working capital has caused many businesses to fail and many others to restrict their growth.

Receivables, being an important constituent of current assets, play very significant role in determining the position of working capital and ultimately the value of the firm. Practice of acquiring commodities or services in exchange for a future payment gives birth to credit, which creates receivables, or book debt, which the firm is expected to collect in the near future. Cash sales are free from bad debt losses, yet, the firms rely more on credit sales system, as it helps to boost up the volume of sales on the one hand, and strengthen firm’s competitiveness in the market, on the other. This in turn leads to higher profitability.

Receivable management is a comprehensive and professional way of reducing investment in receivable without impairing profit arising out of receivables. Thus it helps the company to maximize its value by achieving a trade-off between liquidity & profitability.
Determination of investment in receivables is dependent upon a set of controllable factors such as credit policy, credit terms and collection policy. An effort has been made to analyses and appraises the efficiency of receivables management. At the same time effort will also be made to see if any generalization can be made with reference to ownership structure of companies i.e. Public, Private and Joint and their performance with respect to receivables management because it is believed that these three sectors are different so far as their freedom and autonomy in decision making is concerned. Public sector is owned and managed by Government where as private sector is by definition an enterprise where there is private ownership. Joint sector is the combination of joint ownership, joint control and professional management.

The size of net working capital in NFL, DFPCL, as well as IGFL has increased continuously throughout the period under review. Net working capital ratio has improved in IGFL and DFPCL during the period under review however it remained more or less stable in NFL.

Current Ratio in NFL and IGFL remained above the standard whereas in DFPCL it has revealed mixed trend and was below the norm of current ratio. Similarly performance in terms of quick ratio IGFL has been remarkable during the period covered by present study. It varied between 4.35 to 1.42 in IGFL whereas it was satisfactory in NFL and ranged between 3.35 to 0.85 during twelve years of study.

Comparative analysis of receivables management in NFL, DFPCL and IGFL reveals that absolute size of receivables as well as growth index has shown an increasing trend during the period under study. However the average of growth index is highest in IGFL followed by DFPCL and NFL.

Division of receivables into sundry debtors and loans and advances in NFL, DFPCL and IGFL clearly indicates that while sundry debtors

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predominated the structure of receivables in NFL, loans and advances have ruled the composition of receivables in IGFL. The contribution of sundry debtors and loan and advances is almost equal in DFPCL during the period covered by study.

Average proportion of sundry debtors outstanding for a period exceeding six months against total amount of sundry debtors has been lowest in IGFL with an average value of 6.44 against the average value of NFL being as high as 47.82, whereas it was 11.32 in DFPCL.

The efficiency of granting credit and collecting past due accounts in NFL, DFPCL and IGFL have been analysed with the help of accounts receivables turnover, sundry debtors turnover ratio, position of overdue sundry debtors and average collection period etc.

Turnover of accounts receivables was highest in NFL uptill 1998 but thereafter IGFL has improved its performance in terms of this ratio. DFPCL, though recorded very low accounts receivables turnover in the initial years but has increased throughout the period covered by this study.

Initially sundry debtors turnover ratio was highest in NFL but due to greater efficiency in managing its credit IGFL has been able to gain significant difference from other sectors as average value of this ratio has turned out to be highest in IGFL followed by NFL and DFPCL.

Position of sundry debtors outstanding for more than six months against accounts receivables has been outstanding in case of IGFL however it has increased towards the end of study period. Situation of NFL had shown an increasing trend in initial period however it has been able to control it due to considerable collection effort whereas DFPCL has still to put tremendous effort in lowering down its overdue sundry debtors, which has been increasing after 2000.
The comparative position of average collection period in NFL, DFPCL and IGFL indicates that companies all within the purview of study have exerted their effort in bringing the average collection period down by fastening the collection of dues however it is still beyond the agreed limit in NFL and DFPCL. Therefore it is suggested that management of these companies must initiate some corrective action in order to release the funds blocked in sundry debtors.

Present research has also used the criteria of liquidity, solvency, efficiency and profitability to compare the performance of these companies. With respect to current ratio IGFL has been placed at the highest position followed by NFL and DFPCL respectively, Similarly quick ratio has also been highest in IGFL followed by NFL and DFPCL. As regard to net worth ratio and debt to equity ratio NFL can be considered to be the best because it has minimum borrowed fund against the owned fund but from the utilization point of view IGFL can be regarded as best since it has traded on thin equity, though risk for the creditor have increased to a greater extent.

Efficiency of these companies in terms of turnover ratio as shown by sales to fixed assets ratio and sales to capital employed ratio reveals that performance of these companies have tend to be similar however NFL has been somewhat better than that of DFPCL and IGFL.

Net profit to sales ratio calculated for these companies have proved that IGFL has been outstanding in controlling their cost in comparison to DFPCL and NFL. The similar performance has been exhibited by IGFL, which respect to the criteria of net profit to capital employed.

Thus among several criteria used in present study to appraise the efficiency of receivables management the performance of National Fertilisers Limited has turned out to be the best with respect to Turnover of Accounts
Receivables, Debt Equity Ratio, Sales to Fixed assets ratio and sales to capital employed ratio whereas performance of DFPCL has been quite disappointing as this company has either been placed after NFL or IGFL or after both of them. Joint sector has performed remarkably as with respect to most of the criteria such as turnover of sundry debtors, position of overdue sundry debtors, average collection period and net profit margin etc. its performance has come out to be the best among the selected companies.

**Suggestions**: With a view to decreasing investment in receivables certain well organized and established principles of credit administration should be laid down by all the companies selected for study i.e. NFL, DFPCL and IGFL. The terms of credit, which is, oftenly governed by some conventions or standards fails to calculate the variation in credit worthiness of different clients. This would require these units to make their credit and collection policy greatly comprehensive and near to reality ground so that deviation from them occurs rarely.

Management should allocate the proper authority in this regard so that there exist no dilemma regarding fixing the accountability in case practices of receivables management deviate from policy statement.

These units should also make effort to expedite the dispatch to the suppliers the rejected material, which remain included in the loan and advance component of receivables in IGFL so as to reduce the burden on working capital of the firm.

The government agenesis like port trust and customs need not make it a rule for the industry to unnecessarily block heavy funds with them in the form of deposit for long spheres. They should change their attitude and treat these units at par with other type of the user to their services.
With regard to overdue debtors it has to be ensured, especially in case of NFL and DFPCL that their credit department has to make an earnest aid to promote their collection efficiency in order to minimize the proportionate share of old debts, which may convert into bad debts.

Finally a monthly report of the overdue debt must be prepared by the credit department and submitted to the concerning higher authority for suitable action.

To sum up, the performance of public sector, private sector and joint sector has been satisfactory during the period under study. The capes on productions and reduction in retention price that have impaired the growth of the fertilizer sector as a whole all the companies were able to improve their performance level. However on most of the criteria used by present study joint sector has displayed a remarkable resilience and has put in a commendable performance in comparison to public and private sector. There is much appeal in the proposition that neither the private nor state are compete in themselves, nor are the two irreconcilable, inveterate foes, which are mutually exclusive. That is why where public and private sector may coexist in the economy being highly supportive and non-antagonistic to one another combination of financial power of the state and managerial expertise of the private sector along with ebullience, perseverance and commitment will drive Indian economy unflinchingly towards global leadership.