Chapter-1

INTRODUCTION

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INTRODUCTION

Management of finance, the sinew of business activity, is recognized as the most important branch of business administration. There is no exaggeration in saying that the success & failure of any organization depends largely on how efficiently decision relating to procurement and allocation of funds are made. Now today's finance manager plays a dynamic role in solving the complex management problem and is directly and actively involved in all the vital management decisions associated with financial matters. He is accountable to the top management for procurement of funds on most favourable terms and its effective and efficacious utilization. Financial management is consists of three important decisions namely investment, financing and dividend decision. There exist long term as well as short-term investment decision. Long-term investment decisions determine the future success of the enterprise but a more important area of financial management which engages major attention of the finance manager is working capital management. As against the long-term decisions, decision in the area of working capital management cannot be differed at any cost because it affects day to day operation of the company.

One can probably attribute a large number of business failures to the inability of finance managers to plan & control properly the currents assets & current liabilities of their respective firms. 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.
Accounts receivables generally include all claims held against others for the future receipt of money, goods and services. However, in accounting, it is used in a restricted sense as a designation for claims collectible in money in relatively near future. Most frequently these arise on account of the delivery of goods or the rendering of services. In other words it represents 'debt owned by customers arising out of sales of goods and services in the ordinary course of business'.

Receivable so created has three characteristics. Firstly, it involves element of risk, which should be carefully analysed. Cash sales are totally risk less, but not the credit sales, as the cash payment has yet to be received. Secondly it is based on economic value. To the buyer, the economic value in goods or services places immediately at the time of sale, while the seller expects an equivalent value to be received later on. Thirdly it implies futurity. The cash payment for goods or service received by the buyer will be made by him in a future period. The customer from whom receivables or book debts have to be collected in future are called trade debtors and represent the firm's claim or assets.

There are basically three categories of credit sales. (i) Open accounts; (ii) notes receivables; and (iii) trade acceptances. Credit sales are generally made on 'open accounts' which do not require a formal acceptance by the customers. It is simples in operation and implies low administrative cost. Another form of trade credit is 'promissory notes' which require signing of notes or bills by the customers to pay the amount of credit on or before the specified date. The third form of trade credit is 'trade acceptances'. In this case, the customers are required to acknowledge the debts formally by accepting a draft drawn by the seller for making the payment on a specified date at a particular bank. However, bills, notes and drafts provide legal evidence of debt and due date of its payment in writing. These may also be used as security for bank advances. Trade acceptance of buyers with high credit ratings is also marketable.
The use of notes payable and trade acceptances is rather restricted, and therefore, most credit sales are now made on open accounts. It may also be noted that there are some enterprises, which do not sell their products on credit. This may be due to the reason that such units having analysed the trade-off between costs and benefits of credit extension have either not initiated credit sales or have stopped at a latter stage.

1.1 Relevance of Maintaining Receivables in Organisation: 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. The reason is that the purchasers prefer credit terms in order to improve their liquidity position. Moreover, there are some marginal customers who can buy only on credit terms. They can make payments. That is why; customers tend to cluster where they can buy goods on the most liberal terms of credit. In an age of competition, firms offer lucrative credit terms to attract customers and thereby to raise sales and profits. (fig. 1). This is however, one side of the coin. The finance manager cannot go on liberalizing the terms of credit in the expectation of larger volume of sales. It is because there are certain costs of maintaining the receivables, which push down the profits. In particular, there are four major costs involved in receivables. They are, collection cost, capital cost, delinquency cost and default cost.

![Fig-1](Easy Open Account Sales - Credit Sales - Greater Competitiveness - Larger value - Greater Profitability)

**Collection Cost**: These costs are administrative costs incurred in collecting the receivables from the customers to whom credit sales have been made. This category of costs include: (a) additional expenses on the creation and
maintenance of a credit department with staff, accounting records, stationary, postage and other related items; (b) expenses involved in acquiring credit information either through other agencies or by the staff of the firm itself. These expenses would not be incurred if the firm does not sell on credit.

Capital Cost : The time lag between the date of sale and the date of payment necessitates investment in receivables. Meanwhile, the firm has to arrange additional funds to meet its own obligations. The cost of the use of additional capital to support credit sale that alternatively could be profitably employed elsewhere, is, therefore, a part of the cost of extending credit or receivables.

Delinquency Cost : Yet another cost associated with intending credit to customers is the delinquency cost. This arises out of the failure of the customers to meet their obligations when payment on credit sales becomes due after the expiring of the period of credit. The important component of this cost are : (i) blocking up of funds for an extended period, (ii) cost associated with steps that have to be initiated to collect the over dues, such as, receivables and other collection efforts, legal charges, where necessary and so on.

Default Cost : In addition to the above costs, the firm may not be able to recover the overdue because of the inability of the customers. Such debts are treated as bad debts and have to be written off, as they cannot be realized. Such costs are known as default costs associated with credit sales and accounts receivables.

1.2 Objectives of Receivables Management : The purpose of receivable management is not sales maximization. But an efficient and effective management of receivables does help to expand sales and can prove to be an effective tool of marketing. It helps to retain old customers and win new ones. Well-administered receivables mean profitable credit accounts. Thus, the objective of receivable management is “to promote sales and profit until
that point is reached where the return on investment in further funding of receivables is less than the cost of funds raised to finance that additional credit (Cost & Capital)⁹.

1.3 Determination of Investment in Receivables Management: Level of investment is determined by the volume of credit sales and the average period between sales and collection. The average collection period is partially dependent upon economic condition but it is also dependent upon a set of controllable factors as reflected in the various decision taken by the firm. The various decision areas are:

(i) The credit Policy
(ii) Credit Terms, and
(iii) The collection Policy

1.3.1 Credit Policy: The credit policy of a firm provides the framework to determine whether or not to extend credit to a customer and how much credit to extend. The credit policy decision has two broad dimensions: (i) credit standards, and (ii) credit evaluation. A firm has to establish and use standards in making credit decisions, develop appropriate sources of credit information and methods of credit analysis.

1.3.1(a) Credit Standard: The term credit standard represent the basic criteria for the extension of credit to customers. The quantitative basis of establishing credit standards is factors such as credit rating, credit references, average payments period and certain financial ratios¹⁰. The standards are relaxed or alternatively, tightened. The trade off with reference to credit standards cover (i) the collection cost, (ii) the average collection period, (iii) level of bad debt losses, and (iv) level of sales. These factors should be considered while deciding whether to relax credit standard or not. If the standards are tightened, less credit will be extended. The implication of these four factors are:
(i) **Collection Costs** : Relaxed credit standards imply (i) more credit, (ii) need of a larger credit department to service accounts and related matters, and (iii) increase in collection costs. The effect of tightening the credit standards will be exactly the opposite. These costs are likely to be semi-variable, as up to a certain point, the existing staff will be able to carry on the increased work load, but beyond that, additional staff would be required.

(ii) **Average Collection Period** : A change in credit standards (relaxation or tightening) lead to a change in the level of accounts receivable either (a) through a change in sales, or (b) through a change in collections. Thus, a change in sales and a change in collection together with a relaxation in standards would produce a higher carrying cost, while changes in sales and collection result in lower costs when credit standards are tightened. These basic reactions also occur when changes in credit terms or collection procedures are made.

(iii) **Bad Debt Expenses** : Another factor which is affected by the changes in credit standards is bad debt expenses (default expenses). They can be expected to increase with relaxation in credit standard and decrease as credit standards become more restrictive.

(iv) **Sales Volume** : Changing credit standards, also change the volume of sales. As the standards are relaxed, sales are expected to increase; conversely, a tightening is expected to cause a decline in sales. The firm's credit standards are influenced by the five C's of credit: Character, capacity, capital, collateral, and conditions. 'Character' refers to the probability that a customer will try to honour his obligations. This factor is of considerable importance, because every credit transaction implies a promise to pay. 'Capacity' is a subjective judgment of the ability of the customer. 'Capital' is measured by the general financial position of the firm as indicated by a financial ratio analysis, with special emphasis on the tangible net worth of the enterprise. 'Collateral' is represented by assets that the customer may offer as
a pledge for security of the credit extended to him. Finally, 'conditions' refer to the impact of general economic trends on the firm or to special developments in certain areas of the economy that may affect the customer's ability to meet his obligations.

1.3.1(b) Credit Evaluation: Credit policy aims at laying down clear-cut guidelines and procedures for granting credit to individual customers having the possibilities of bad debts or slow payments under consideration. The credit evaluation involves\(^\text{11}\). (i) credit information, (ii) credit investigation, (iii) credit analysis, (iv) credit limits.

(i) Credit Information: It is essential on the part of the credit extending concern to establish the credit worthiness of the customers before extending credit so that credit risks are minimized. The credit worthiness of the customers shows their ability to make payment on the due date and is determined on the basis of past experience with debt retirement together with the position of their working capital and net worth, which reveals their future debt paying capabilities. For this purpose, the concerning the each prospective customer. A concern may, as far as possible, collect credit information from (i) financial statements, (ii) bank references, (iii) trade references, and (iv) credit bureau reports.

(ii) Credit Investigations: Credit information gathered from the various sources need further investigation in the process of credit analysis. It take into consideration\(^\text{12}\): (i) the type of customers – new or existing, (ii) the customer's business line, background and the related trade risks, (iii) the nature of the product – perishable or durable, seasonal or perennial, (iv) size of customer's order and expected future volume of business with him, and (v) company's credit policies and practices. For conducting a detailed and meaningful investigation, it is essential to have necessary and adequate data. Most credit investigation involves a sequential analysis, where the collection of information and its investigation are inter-related.

[7]
(iii) **Credit Analysis**: The credit information which has been collected and investigated, is subject to further analysis to determine the credit-worthiness of the applicant. The financial condition of the applicant must be carefully examined and if necessary, he may be asked to provide the necessary information to form a basis for analyzing the performance and trends in the applicant's business operations. Once the necessary information and data have been made available in the form of financial statements and plans for future financing, these should be carefully appraised for arriving at the credit decisions. In digesting the facts and reaching a certain decision.

There are no established procedures for analyzing the credit information and investigation. A business concern devises procedures to suit its own needs. However, this analysis is expected to incorporate the quantitative as well as qualitative aspects, where the former deals with the appraisal of the financial strength of the applicant, while the later consider the quality of the management and the nature of the applicant's business.

In estimating the general financial soundness of the prospective customers, management is particularly interested in the applicant's liquidity and integrity. This requires proper scrutiny of the customer's financial statements and his plans for future financing. Comparative income statements and balance sheets are the primary sources for these types of evaluation. Besides, there are special reports, such as cash flow statements, cash budgets, and income statements and balance sheets, which highlight the customer's credit-worthiness.

Another potential tool for assessing the credit standing of a customer is a ratio analysis of liquidity, solvency and debt capacity of the applicant along with the operating margins and the rate of return on capital employed. The major ratios generally used may be current ratio, quick or acid-test ratio, turnover of receivables, ratio of debt to net worth, ratio of fixed assets to net worth, etc. The performance of the prospective customer shown by these
ratios should be compared with the industry average so that the internal efficiency or inefficiency of the applicant can be ascertained.

The quantitative assessment of the financial soundness of the applicant, if not supplemented by the qualitative appraisal, may lead to a wrong credit decision. It is, therefore, essential to consider the moral integrity of the applicant and management of his concern. The references from other suppliers, bank references and other the specialist bureau reports may also be used for drawing the conclusion in this respect. The analyst has to be alert to spot instances of imbalance in management of customers business marked by over-centralization of responsibilities and authority, over-trading, shrinking margins and growing liabilities. In making decision for extending credit to the customer, quantitative techniques have been developed to measure ability to serve trade credit, the final decision of most of the concerns extending trade credit rests upon the credit analyst's judgment in evaluating available information.

(iv) Credit Limit : After deciding the credit extension to certain customers, there arises a question of the ‘credit limit’, which involves a decision regarding the amount and duration of credit, popularly known as ‘establishment of a line of credit’. A line of credit is the maximum amount the concern will permit a customer to owe at any time. In essence, it represents the maximum risk exposure that a concern will allow itself to undergo for an account. However, the decision regarding the total amount of credit to a customer will depend upon the amount of the contemplated sales, on the one hand and the customer’s financial strength, on other. Besides, customer’s regularity in buying concern's products, his regularity of payments on the due dates, and other such factors should also be taken into account in deciding the credit limit for an applicant. A credit line once decided for a customer must be revised periodically in order to know the development in the account and in case of unsatisfactory performance, the credit line can be revised suitably and vice-versa. If customers with satisfactory performance, ask for may be granted [9]
excess credit, provided that the product of the concern has high margin or the additional sales likely to help to use the unutilized capacity of the concern.\footnote{16}

In addition to the amount of credit, the duration of credit should also be decided as a part of the 'line of credit decision'. The industry norms may be helpful in deciding the normal credit period. However, relaxation in the normal credit period is undesirable as a larger collection period involves costs – the opportunity cost, the funds being tied-up for a longer period and the cost of possible bad debt losses. In case, there is a possibility that extended credit period motivates sales, a comparison between cost of extended credit period and the additional profit resulting from the increased sales be done and if profits exceed costs, the collection period may be extended, otherwise not.

1.3.2 Credit Terms: After the credit standards have been established and the credit worthiness of the customers has been assessed, the management determines the terms and conditions on which trade credit will be made available. The stipulations under which goods are sold on credit are referred to as credit terms. Credit involves terms three components, viz. (a) credit period, (b) cash discount and (c) cash discount period.

The time duration for which credit is extended to the customer is referred to as credit period. It is generally stated in terms of a net date. Usually, the credit period of the firm is governed by the industry norms, but the firm can extend credit for a longer duration to stimulate sales.

Cash discount is another aspect of credit terms. Many firms give cash discount to their customer in order to induce the latter to pay their dues early. The cash discount term indicates the rate of discount and the period for which the discount has been offered. If a customer does not avail himself of this offer, he is expected to make the payment by the stipulated date. The most desirable credit terms, which increase the overall profitability of the firm, should be offered to be customers. Credit terms can be used as an instrument
to push sales. The financial manager should compare costs and benefits of alternate terms to find out the most desirable credit terms.

1.3.3 Collection Policies: Collection policies refer to the procedures followed to collect accounts receivables when the credit period becomes due and expires. These policies cover two aspects viz. (i) The degree of effort to collect the overdue, and (ii) the type of collection efforts.

The collection policy of a firm may be strict or lenient. The collection policy would be tight if very rigorous procedures are followed. A tight collection policy has implications, which involve benefits as well as costs. The management, therefore, has to consider the trade-off between them. Likewise, a lenient collection effort also affects the cost-benefit trade-off. The efforts of tightening the collection policy, in the first place, decrease the bad debt expenses. Moreover, the average collection period will also be reduced. But a rigorous collection strategy would increase the collection cost. Another negative effect may be in the form of a decline in the volume of sales. This may be because, some customers may not like the pressure and intense efforts initiated by the firm and may switch to other firms.

The second aspect of collection policies relates to the steps that should be taken to collect overdue from the customers. A well established collection policy should have clear cut guidelines as to the sequence of collection efforts. After the credit period is over and payment remains due, the firm should initiate measures to collect them. The effort in the beginning should be polite, but with passage of time it should become gradually strict and stern. Genuine difficulties of the customers should be given due consideration. The steps usually taken in collection programme consists of the following:

(i) Monitoring the state of receivables.
(ii) Dispatch of letters to customers whose due date is near.
(iii) Telegraphic and telephonic advice around the due date.
(iv) Threat of legal action to overdue accounts, and
(v) Legal action against overdue accounts.

Therefore it is necessary for a firm to grant trade credit to protect its sales from the competitors and to attract the potential customers to buy its product at favourable terms. In this way receivable as a marketing tool are intended to promote sales and thereby profit. However too much of credit creates false sense of abundance, breed overtrading and brings in its train the inability to meet fast mounting obligation and ultimate failure. To avoid these two, the finance manager is, therefore in a dilemma between liquidity and profitability. Effective credit management seeks so steer clear of these two undesirable extremes.

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. According to Western & Brighum the very basic purpose of receivables management is to formulate credit policies, procedures and practices in such a way as to:

(a) Obtain the maximum volume of sales for a given period.
(b) Maintain proper control over the quantum of investment in receivables; and
(c) Exercise control over the cost of credit and collections.

Receivables outstanding at a point of time throw considerable light on efficiency of credit management. The overall profitability of these organizations expected to be influenced by the efficiency of their receivables management. But unfortunately management of receivable can be said to be one of the relatively neglected areas in corporate management in India. Terms of credit are more often than not governed by some conventions or standards that fails to calculate the variations in credit worthiness as between
different clients. The two basic elements in credit, namely the time and amount element and the interrelationship between these two elements are seldom recognized. The risk involved in allowing undue delay in settlement of outstanding is rarely assessed. This attitude is really disappointing, as receivables constitute a substantial portion of current assets of several firms. The high proportion of receivables in organizations may either be the result of their deliberate prudent policy or the outcome of sheer negligence. In fact this requires an in-depth study of receivables management, which has hitherto been a neglected area so far as independent subject of study is concern.

Tempted by this void researcher is making a modest attempt to analyses and appraise 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 concern. 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. With respect to financial management there three sectors are similar, as they all have to adjust their income against the expenditure. All of them have similar problems and economic condition of the country too affect them without any discrimination. But there is fundamental difference in their nature, principles, objectives and resources. There often exist divergences between the private and social costs and benefits of investment projects. The private sector is quite naturally concerned only with the cost incurred by them on a project and with the income received their decision whether or not to embark on it. They are not expected to, not do they in practice attach any weight to what are called 'externalities' of their activities, namely, the side effects (positive or negative) of their operations on the rest of the economy. Important examples of externalities of investment projects are the effect on employment and on
the pattern of production; contribution to a balanced development of industries and regions and to an equitable income distributions through the choice of investment projects and technology; environmental considerations and the effect on foreign exchange outlays and earnings when growth is constrained by BOP considerations. The state can afford for heavy projects, which are useful for public welfare, but private capital is shy in those businesses where returns are nominal and time consuming. The resources of the private sector are limited in comparison to state as they can adopt coercive methods to raise funds from the general public and can resort to deficit financing. As a result of it public sector decides the volume of expenditure first and then tries to find out resources to meet out this expenditure, while private sector first considers his income and then decides the volume of expenditure to be incurred for various schemes.

Public sector is also different from private sector in their autonomy which in turn affects the promptness of their decision making whereas private sector enjoy greater amount of operational flexibility. In contrast to these two extremes joint sector is marriage between the managerial expertise of the private sector and financial power of the state, which provide an effective antidote to the private concentration of economic power and curb on the uncontrolled grown of large business houses. Following table presents a bird eye view of comparative performance of public, private and joint sectors.
Table 1: Ownership Structure of Indian Industries:

<table>
<thead>
<tr>
<th></th>
<th>Companies (No.)</th>
<th>Employment Opportunity</th>
<th>Fixed Capital (Rs. Cr)</th>
<th>Gross Output (Rs. Cr.)</th>
<th>Value Added (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) Public Sector</td>
<td>8825 (6.6)</td>
<td>2285 (23.5)</td>
<td>142156 (36.9)</td>
<td>151174 (21.8)</td>
<td>36915 (25.8)</td>
</tr>
<tr>
<td>Central Govt.</td>
<td>1050 (0.8)</td>
<td>879 (9.1)</td>
<td>54222 (14.1)</td>
<td>80997 (11.7)</td>
<td>18324 (13.5)</td>
</tr>
<tr>
<td>State/Local Govt.</td>
<td>6267 (4.7)</td>
<td>1301 (13.4)</td>
<td>85982 (22.3)</td>
<td>64479 (9.3)</td>
<td>15473 (10.8)</td>
</tr>
<tr>
<td>Central &amp; State / Local Govt.</td>
<td>1508 (1.1)</td>
<td>105 (1.01)</td>
<td>1952 (0.5)</td>
<td>5698 (0.8)</td>
<td>2118 (1.5)</td>
</tr>
<tr>
<td>(B) Joint Sector</td>
<td>2899 (2.2)</td>
<td>524 (5.5)</td>
<td>29416 (7.6)</td>
<td>59882 (8.7)</td>
<td>11458 (8.0)</td>
</tr>
<tr>
<td>(C) Private Sector</td>
<td>122772 (91.2)</td>
<td>6891 (71.0)</td>
<td>212920 (55.6)</td>
<td>481218 (69.5)</td>
<td>94664 (66.2)</td>
</tr>
<tr>
<td>Total</td>
<td>13556 (100.0)</td>
<td>9707 (100.0)</td>
<td>384560 (100.0)</td>
<td>692520 (100.0)</td>
<td>143076 (100)</td>
</tr>
</tbody>
</table>

Note: The data in this table covers all factory units employed 10 or more workers not using power. Based on Annual Survey of Industries 1999-2000.

It is evident from the above table that number of factories in public sector, Joint sector are 8825 (6.6) & 2899 (2.2) respectively whereas the number of factories in private sector is as high as 122772 (91.2). On employment front public sector & joint sector contribution is 23.5% & 5.5% respectively while private sector claim for 71% of the total employment in the country. Real contribution of three sections can very well be judged by relating their share in fixed capital and its productivity in terms of gross output. Above table clearly indicate that though public sector mobilized around 142156 or (36.9%) from the economy in the form of fixed capital its share in gross output is merely 151174 (21.8%). This shows their deficiency in use of capital, which is a scare resource. On the other hand private sectors have deployed Rs.
212920 crores in the form of fixed capital. Their contribution in term of gross output is Rs. 481218 crores (69.5%), which is better than that of the public sector. Joint sector falls in between these two extremes whose share in fixed capital and gross output is 7.6% & 8.7% respectively.

The relative performance as shown by the above table itself proves that there exist some relationship between ownership structure and performance of the companies. However the success of any company is subject to numerous external factor i.e. general economic condition of country, availability of resources, condition of industry to which they belong and internal factors like management of different functional area such as marketing, production, personnel and finance.

1.4 Objectives and Scope of the Study: The present study will examine the receivables management of public, private and joint sectors in India. The main objectives of the study are as follows:

i. To examine the existing credit and collection polices prevailing in sample organizations;

ii. To evaluate the practices of public, private and joint sectors with regard to receivables management;

iii. To examine the effectiveness of receivables management against the liquidity, profitability, etc. to determine the extent to which objectives have been achieved;

iv. To evaluate the public, private and joint sectors in terms of solvency and efficiency;

v. To offer suggestions which required improving the management of receivables in public, private and joint sectors.
The present study will include different dimension of credit and collection polices and practices followed by three sample companies having different ownership structure i.e. National Fertilisers Limited in Public Sector, Deepak Fertilisers and Petrochemicals Limited in Private sector and Indo Gulf Fertilisers and Chemicals Corporation Limited in Joint sector. An effort will be made to see whether these organizations have unstated conventions or written and consistent policy approach to ensure consistency in credit decision the focus will be on assessing the degree to which these policies and standards are being followed in practices. This study will also include the study of credit policy variables which include the quality of trade accounts accepted, the length of credit period, the cash discounts given, seasonal dating etc. A part of study will also be devoted to see the efficiency of collection practices because prompt collection of accounts tend to reduce investment required to carry receivables and the costs associated with it. The variables of collection policies like collection expenses; collection period, effect of collection expense on bad debts etc. will also be examined in this study. An attempt will also be made to examine the effort of these organization to enhance the effectiveness of receivables management, for example, laying down proper monitoring polices taking into conginsance the major changes in environmental and related factors to ensure the stability and continuity in credit thinking and credit decisions.

1.5 Research Methodology : The present study is based on the primary as well as secondary data. Primary information has been collected through questionnaire filled up through personal interviews of relevant finance & marketing executives of these organizations. Whereas, secondary data has been obtained from the published annual reports of the organization for the period of 1990-91 to 2001-02. Other additional published data has been obtained from the Economic Survey of India, Survey of Public Enterprises, RBI Bulletins, Report on Currency and Finance, India, Kothari Official Directory, Survey of Industries and some important newspaper like Economic
For the purpose of comparative study three companies of different ownership structure having good track record from the Fertiliser and Chemical Industries have been selected.

In order to analyse the data obtained from primary and secondary sources, the researcher has used various tools and techniques such as percentage, ratio, analysis, common size statement and trend analysis etc.

1.6 Plan of the Study: Present study is divided into seven chapters. Chapter first provides an introduction to the study by bringing out the conceptual framework of receivables management. Objective and methodology of the study, plan of work, limitation in contained in the last section of this chapter. Chapter second is devoted to brief description of genesis of public, private and joint sectors throughout the industrial policy resolutions. Chapter third companies on brief profile of fertiliser industry as well as a snapshot of three companies i.e. National Fertilisers Limited, Deepak Fertilisers and Petrochemicals Corporation Limited and Indo Gulf Fertilisers Limited, selected for the study. Chapter fourth & fifth deals respectively with the working capital management and receivables management with the help of certain parameters. Conclusions are then summerised at the end of these chapters. Chapter sixth has been devoted to make logical comparison at the end of these companies with reference to their performance in the area of receivables management. These organizations have also been compared on the basis of general criteria of efficiency such as liquidity, solvency and profitability. Overall findings of the study are briefly summerised in chapter seven and certain concrete suggestions are offered for enabling these companies to improve their efficiency.

1.7 Limitations of the Study: Although care has been exercised at different stages to make this research objective and dependable, it is bound to suffer from following limitations:
i. The sample chosen for this research represents only a small portion of the universe. Thus it is difficult to claim that the generalization made would be fully dependable.

ii. In view of the uncooperative attitude of the members of management team sample organizations, it was difficult to collect all the relevant information. This would certainly have an impact on the quality of present work.

iii. The statistical tools and techniques do suffer from their own limitations. This research is therefore also supposed to be influenced by the limitations associated with the tools and techniques employed.

The present study will be useful for the government, public financial institutions, investors, creditors and policy makers with the ultimate object of increasing organizational effectiveness as also to exhibit the goal oriented performance. Organizations attract public attention mainly on account of the involvement of public funds. The public at large certainly has a right to seek information regarding the productivity of its funds. Present research is expected to provide answers to some of their questions that are related to the management of funds utilized in receivables. The management of these organizations is expected to rationalize and professionalise its receivable management by accepting the suggestions offered at the end of this study. This research is also supposed to be very useful to the academicians as no similar research has been conducted so far in the field of receivables management in sample organizations. Besides it will pave the way for the new researches to be undertaken in this direction.