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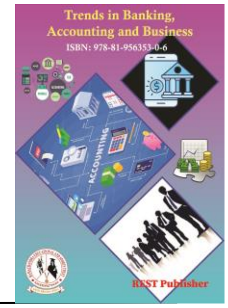

A Study on Debtor Management of First Step Babay Wear Pvt Ltd at Hosur

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Abstract: *In this paper an attempt is made to study the impact of debtor management. To accomplish this research objective data have been collected from the annual reports of select watch companies for the period from 2019 to 2023. The ratios which highlight the efficiency of receivables management viz., working capital turnover ratio, cash position ratio, receivables to current assets, operating ratio, average collection period, current ratio and return on investment, have been computed statistical tools like comparative was also used to know the impact on working capital and profitability.*

1. INTRODUCTION

Debtor management, or credit control, is everything you do to get your clients and customers to pay their invoice as soon as possible. For the cash flow of your company, it is important to keep the item 'debtors' on your balance sheet as low as possible compared to your turnover. Debtor 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 honor their commitments to repay the total amount of the credit purchases. Typically, the process of debtor 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, Company can sell the goods on credit or cash. Cash sale is inflow of cash and it is controlled under cash flow analysis. But credit sale creates sundry debtors. Company has to receive money from them. If company starts to sell on return of cash, then it decreases the level of company's sale and profitability. On the other side, if company promotes credit sale, it can increase the risk of bad debts.

Meaning of Debtor management: Debtor management means the process of decisions relating to the investment in business debtors. In credit selling, it is certain that we have to pay the cost of getting money from debtors and to take some risk of loss due to bad debts. To minimize the loss due to not receiving money from debtors is the main aim of debtor management. One of the basics of debtor 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.

2. OBJECTIVES OF THE STUDY

To analyses the debtor management in First Steps Babywear Private Limited at Hosur
To find out the efficiency of debtor management.
To examine the financial performance of the company.
To ascertain the impact of accounts receivable ratio on working capital.
To study the client 's existing debt or loans, the reasons behind taking the loans.

To study the reasons of defaulting the loans
To study the attitude and behavior of the company towards debt and debt repayment.

3. SCOPE OF THE STUDY

This study concentrates on the factors determining these notes debtor management and the liquidity debtor position of the firm, and a brief study is made on the techniques used by the firm. The sale of goods on credit is an essential part of any modern and competitive debtor economic system. Credit sale and therefore receivables are treated as marketing tools to aid the sale of goods. The scope encompassed with the debtor's section of the industry which is a part of finance and accounting department.

4. REVIEW OF LITERATURE

Okpe Innocent Ikechukwu and Duru Anastesia Nwakaego (2018) analyzed the effect of debtor Management on the Profitability of textile and clothing Firms in Nigeria. The hypotheses were tested using multiple regression technique. At the end of the study, the results showed that accounts receivable had positive and significant effects with the profitability ratio at 1% levels of significance.

(Korir 2018) Business success heavily depends on the ability of the financial managers to effectively manage receivables, inventory, and payables (Accounts receivables management entails managing the firm's inventory and receivables in order to attain a balance between risk and returns and thereby contribute positively to the creation of a firm value Excessive investment in inventory and receivables reduces

Smita Rao and Hetal Gaglani (2019) studied the impact of debtor management on working capital: a study on select textile companies. The result has been obtained by applying for identifying the relationship between receivable management and working capital management of company. The study revealed that of all the receivables has significant contribution in current assets, total assets, sales and working capital of companies.

Sunil Kumar Ritesh Srivastava and Praveen Srivastava (2019) studied the study on debtor management of Indian textile industry and its impact on profitability. In this study, they used panel data regression for the investigation of the results. The panel data regression shows that the highly involvement in receivables are associated with highly profitability.

Nimalathasan, (2020) found a positive effect existing between debtor management practices and firm performance and hence a gap in knowledge for further research. Debtor management practices deals with resources which are borrowed with expectations of repayment established the effect of debtor management techniques used to evaluate SMEs on the level of performance by Commercial. The study established that there is a negative relationship between Credit management practices and financial performance of the firm.

Siekelova A., Kliestik T., Svabova L., Androniceanu A., Schönfeld J (2020) examined the debtor Management: the importance of financial indicators in assessing the creditworthiness. They tested the existence of a statistically significant relationship between the quick ratio and selected financial indicators. He examined the Receivable debtor of sample companies using working capital ratios and test. The authors found that there was significant relationship between and within the groups of the sample companies.

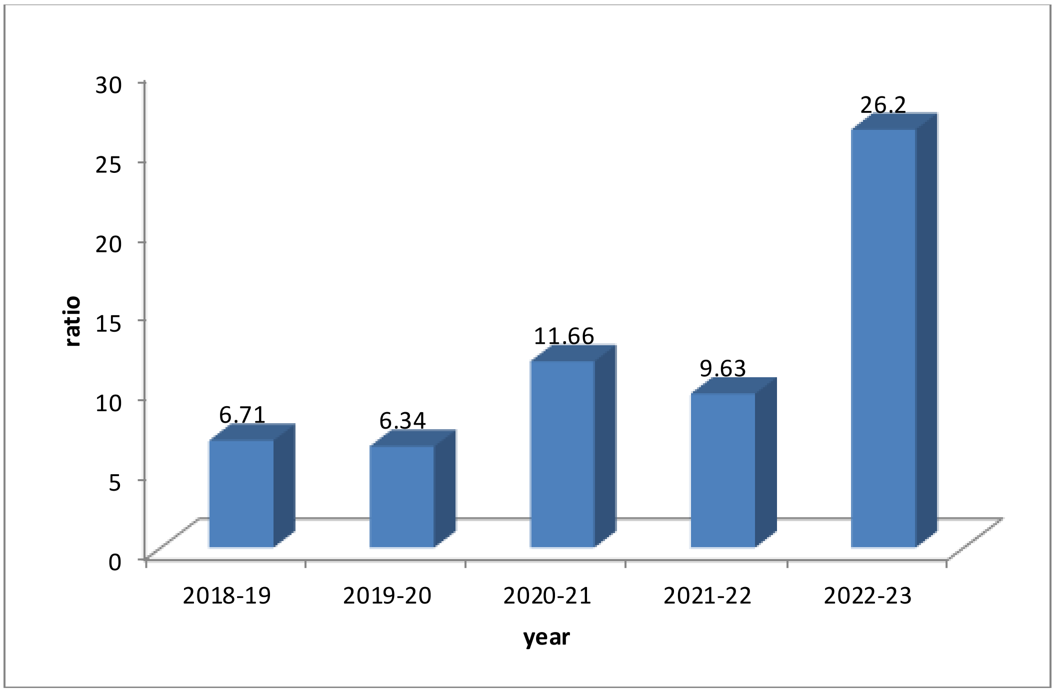
5. RESEARCH METHODOLOGY

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 First Steps Babywear Private Limited at Hosur.

6. DATA ANALYSIS

DEBTORS TURNOVER RATIO

Year	Credit sales	Debtors	Ratio
2018-19	322.71	48.11	6.71
2019-20	272.93	43.07	6.34
2020-21	225.54	19.34	11.66
2021-22	170.24	17.67	9.63
2022-23	127.32	4.86	26.20



7. FINDINGS

1. The current ratio is a measure of firm's short term solvency. During the year 2018-19 the current ratio is 3.22 which is increased to 3.43 in the year 2019-20. From the next three years it was decreased when compared to 2019-20. So the current ratio decreasing trend. Highest current ratio is 3.43 in the year of 2019-20 and the lowest ratio is 2.33 in the year 2020-21. So the current ratio 3.43 in standard ratio 2:1. The current ratio is good position.
2. The working capital turnover ratio measure analyses current assets and liabilities. During the year 2018-19 the working capital ratio is 2.10 which are decreased to 1.69 in the year 2019-20. From the next year again increased to 2.16 in the year of 2020-21. And then next year decreased to 1.38. It was decreased when compared to previous years. Highest working capital turnover ratio is 2.16 in the year 2020-21 and the lowest ratio is 1.38 in the year 2021-22
3. The Cash position ratio. In the year 2018-19 the cash position ratio is 0.04 and it was increased to 0.05 in the year 2019-20 then it is decreased in the year 2020-21 as 0.01. In the year 2021-22 it was high increased to 0.17 but in the year of 2022-23 it was decreased to 0.04. Highest cash position ratio is 0.17 in the year 2021-22. And the lowest ratio is 0.01 in the year 2020-21. So the standard ratio 2021-22 of cash position ratio is 0.17. The cash position ratio is decreasing trend.

8. SUGGESTIONS

Debt management theory suggest that managers ought to minimize cost which is often justified as an objective of debt management by the fact that, and therefore debt servicing costs lead to welfare losses. The main focus of the study was to investigate the influence of debt management systems on the industry at Hosur. The study therefore suggests that a future research can be carried on the challenges facing debt management systems on financial performance in Hosur.

9. CONCLUSION

From the study findings, the oversight committee has ensured that the authority and role in management of the firm is in place and also the independence of the credit risk department. However, efforts need to be directed towards the board so as to ensure that they adopt a supervisory role which ensures adequate Debt management process. Furthermore, the development of appropriate credit grading system that systematically grades the credit of loan accounts has not been realized. The study also provides some precursory evidence on credit granting decision that seems to play an important role in improving firm profitability Specifically, firms with appropriate credit granting decision, firm Debt Management of likely to increase. Basing on the results of the study, a process that monitors unsettled transactions is in place. Also the approval of all counterparties is obtained prior to the account being opened. Internal guidelines to approve and review counterparty Debt credit limits have been established by, however, requests by clients for additional collaterals are catered for though not satisfactorily. In the same way, respondents were unsure if there was a proper reporting mechanism in place that identifies counterparties with a deteriorating credit rating. The study results also suggest that debt collection has a momentous effect on firm profitability. A sound credit management put in place will in effect prevent late payment by debtors and the outcome of this leads to increased profitability.

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