



A STUDY ON DEBTOR MANAGEMENT AT KASIM TEXTILE MILLS PVT LTD. MADURAI

S. BOOPATHI¹

N.GAYATHRI²

¹ Student Department of Management Studies , Karpagam College of Engineering

²Assistant Professor Department of Management Studies ,Karpagam College of Engineering

Department of Management Studies,

Karpagam College of Engineering,

Coimbatore, India

ABSTRACT

This paper is made to study on the debtor management. To accomplish this research objective data have been collected from annual reports of the company for the period from the year 2020-21 to 2024-25. 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 help to run the business smoothly. The sale of good on credit is an essential part of the competitive economic system. The extension of the credit involves risk and cost. The debtor management of the company is analyzed by the required ratios, trend analysis, and compound annual growth. The objectives of the credit management is to —promote sales and profit until the 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: Debtor management, Credit, Analysis.

INTRODUCTION OF THE STUDY

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.

The aim for businesses is to provide credit to good customers who pay their accounts on time as this maximizes sales whilst not incurring bad debt costs. Before offering credit to a new customer the following needs to be done:

- Credit application form – The signature of the customer that they have read and understood all the credit terms and conditions and have agreed to abide by them.
- Customer approval to conduct a credit check.
- Credit check conducted and analyzed.
- Three trade credit references supplied and checked.
- Comprehensive details of all directors, partners or owners.
- A deed of indemnity and guarantee provided by all the directors of a company customer.

Each customer's credit limit and credit period should be set, agreed with the customer, and enforced. The credit limit and credit period reduce the credit risk to acceptable levels whilst maximizing sales.

STATEMENT OF THE PROBLEM

The purpose of this study is to determine ways of finding an optional accounts debtor level along with making optimum use of different credit policies in order to achieve a maximum return at an acceptable level of risk. The study aimed at understanding the effect of debtor management on working capital of Kasim textile mills pvt ltd

OBJECTIVES OF THE STUDY

- To analyses the debtor Management in Kasim textile mills pvt ltd
- 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.

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 debtors section of the industry which is a part of finance and accounting department.

LIMITATIONS OF THE STUDY

- The study is confined to five years of balance sheet.
- The study is only related to textile industry
- This analysis is based on the information given by the company.
- The study covers the time period of four months with the five years data

LITERATURE REVIEW

Okpe Innocent Ikechukwu and Duru Anastesia Nwakaego (2024) 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 2024) 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

Divya Jindal and Simran Jain (2025) underwent a study on effect of debtor management on profitability: a study of commercial textile industry in India. This study empirically examines the effect of efficiency of receivables management, measured by debtor's turnover ratio, in the commercial textile industry in India on the firm's profitability. Profitability was measured using Return on Capital Employed.

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 Kasim textile mills pvt ltd.

Period of the Study: The duration taken by the researcher for the data collection and analysis regarding the profitability analysis of Kasim textile mills pvt ltd. The data used are of last five years from 2021-2025.

Sources of the study: The nature of data collected for the study is secondary. All the necessary data required for various computations into course of analysis were taken from the published annual report of the Kasim textile mills pvt ltd comprising of the profit and loss account and the balance sheet.

Sample Design

A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure. In fact, the research design is the conceptual structure with in which research is conducted

Tools of the study

- Ratio Analysis
- Trend percentage analysis
- Comparative statement analysis
- Compound Annual Growth Rate
- Chi-Square Analysis

RATIO ANALYSIS

Ratio Analysis is a form of Financial Statement Analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as Short-term Solvency Ratios Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios.

Ratio Analysis as a tool possesses several important features. The data, which are provided by financial statements, are readily available. The computation of ratios facilitates the comparison of firms which differ in size. Ratios can

be used to compare a firm's financial performance with industry averages. In addition, ratios can be used in a form of trend analysis to identify areas where performance has improved or deteriorated over time.

TREND ANALYSIS

Trend analysis is the process of comparing business data over time to identify any consistent results or trends. You can then develop a strategy to respond to these trends in line with your business goals.

Trend analysis helps you understand how your business has performed and predict where current business operations and practices will take you. Done well, it will give you ideas about how you might change things to move your business in the right direction.

- identifying areas where your business is performing well so you can duplicate success
- identifying areas where your business is underperforming
- Providing evidence to inform your decision making.

COMPARATIVE BALANCE SHEET

A comparative balance sheet usually has two columns of amounts that appear to the right of the account titles or other descriptions such as Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, etc. The first column of amounts contains the amounts as of a recent moment or point in time. Providing the amounts from an earlier date gives the reader of the balance sheet a point of reference—something to which the recent amounts can be compared.

COMPOUND ANNUAL GROWTH RATE

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

CHI-SQUARE ANALYSIS

The chi-square test is an important test among the several tests of significance developed by statisticians. Chi-square, (symbolically written as χ^2) is a statistical measure used in the context of sampling analysis for comparing a variance to a theoretical variance. As a nonparametric test, it can be used to determine if the categorized data shows dependency or the two classifications are independent. It can also be used to make comparison between theoretical population and actual data when categories are used. Thus, chi-square test is applicable in large number of problems.

Chi-Square (χ^2) test was used, and the formula of Chi-Square test is furnished below:

$$(O-E)^2$$

$$\text{Chi-Square } (\chi^2) = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\sum E$$

CURRENT RATIO

Current ratio is the most common ratio for measuring liquidity. The current ratio is the ratio of total current assets to total current liabilities. Current ratio of a firm measures its term solvency i.e. ability to meet short term obligations.

$$\text{Current assets} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

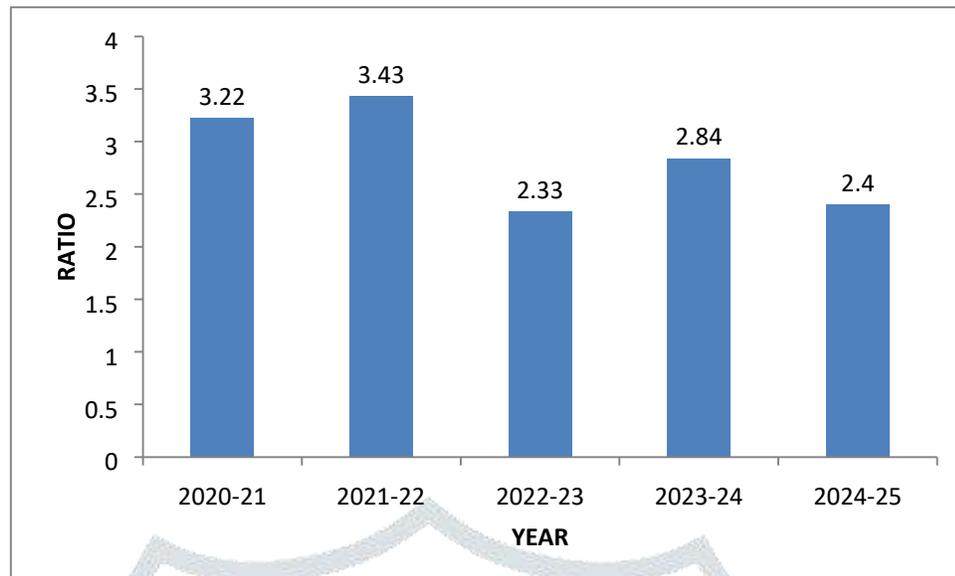
CURRENT RATIO

Year	Current Assets	Current Liabilities	Ratio
2020-21	222.33	69.03	3.22
2021-22	228.32	66.61	3.43
2022-23	183.45	78.85	2.33
2023-24	189.97	66.91	2.84
2024-25	144.37	60.19	2.40

Source: secondary data

INTERPRETATION

The current ratio is a measure of firm's short term solvency. During the year 2020-21 the current ratio is 3.22 which is increased to 3.43 in the year 2021-22. From the next three year it was decreased when compared to 2021-22. So the current ratio decreasing trend. Highest current ratio is 3.43 in the year of 2021-22 and the lowest ratio is 2.33 in the year 2022-23. So the current ratio 3.43 in standard ratio 2:1. The current ratio is good position.

CURRENT RATIO**TREND ANALYSIS**

Trend analysis, also known as time series analysis of financial ratios, helps in identifying the direction of change in key financial items such as sales and net income over a period of time.

It is based on the —trend-percentage method, where a base year is assigned a value of 100 and subsequent years are expressed as percentages relative to it. This method considers factors like business growth trends and general price levels, making it more effective than comparative and common-size statements, which lack a standard benchmark. By converting large financial data into percentages, trend analysis improves clarity and readability while focusing mainly on significant items to highlight important changes for managerial decision-making.

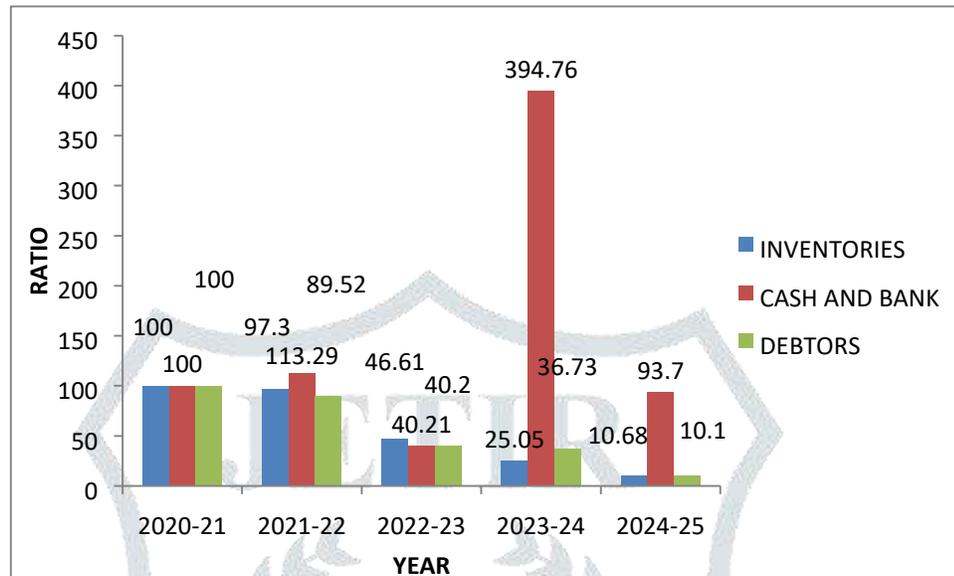
TREND ANALYSIS

INVENTORIES			CASH AND BANK		DEBTORS	
YEAR	AMOUNT	TREND %	AMOUNT	TREND %	AMOUNT	TREND %
2020-21	70.69	100	2.86	100	48.11	100
2021-22	68.78	97.30	3.24	113.29	43.07	89.52
2022-23	32.95	46.61	1.15	40.21	19.34	40.20
2023-24	17.71	25.05	11.29	394.76	17.67	36.73
2024-25	7.55	10.68	2.68	93.70	4.86	10.10

Source: secondary data

INFERENCE

The Inventories percentage was decrease for year by year. The cash and bank percentage was fluctuating year by year. It was bad performance to the company. The debtor's percentage was decreased to year by year

TREND ANALYSIS**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 Textile industry at Tiruppur
- The study therefore suggests that a future research can be carried on the challenges facing debt management systems on financial performance in Tiruppur.
- However, by itself, the theory recommends to the Textile industry to minimizing cost an unsatisfactory objective.
- The theory assumes that the loan borrowers are able to commit to policies which do not involve default, either partial.

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.

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