**CREDIT MANAGEMENT AND EFFICIENCY OF NAVABHARATH INDUSTRIES AT HYDERABAD**

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**Abstract**

For effective management of credit, the firm should lay down clear cut guidelines and procedures for granting credit to individual customers and collecting individual accounts. The firm need not follow the policy of treating all customers equal for the purpose of extending credit. Each case may be fully examined before offering any credit terms. Similarly, collection procedure will differ from customer to customer. With the permanent, but temporarily defaulting customers, the firm may not be very strict in following the collecting procedures.

Key words: Accounting, credit policy, management, receivables

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**Introduction**

Accounts receivables or Credit policy includes credit standards, credit terms and collection procedures. Credit sales are a function of total sales; total sales depend on such factors as the economic conditions etc credit sales are also influenced by the nature of the business and industrial norms. All these factors are to a very large extent uncontrolled by a financial manger. The only way credit sales can be controlled is by making alterations in the firm’s credit policy. A firm therefore requires credit policy in its operations since a proportionately large amount of sales are made on credit and credit policy variables are the ones in the control of the manger (Kakuru, 2001). Credit policy is designed to minimize costs associated with credit while maximizing the benefits from it. Credit policy is either lenient or stringent.

A stringent credit policy gives credit on highly selective basis only to customers whose credit worthiness has been ascertained and is financially strong. Credit periods are shorter and discounts are lower. It involves low costs but may be detrimental to sales returns. A firm needs to formulate a credit policy which is optimum.

Credit policy involves three variables. I.e. credit standards, credit terms and collection procedures (Kakuru, 2000).

**Research Methodology**

The study was both descriptive and explanatory and based on both quantitative and qualitative data. The study population was made up of the management, staff and the customers of Nava Bharat Industries. There are 9 management staff and 50 employees with a quite number of customers.

The researcher purposively selected 5 management staff and 18 employees both stratified and simple random sampling was used to select 17 customers. The sample population was divided into strata from which the researcher used simple random in selection of customers so as minimize bias.

# Sources of Data

Data was obtained from both primary and secondary sources.

1. **Primary data**. This provided first hand information through questionnaires.
2. **Secondary data**. The researcher used information from management meeting minutes; company recorded e.g. debtor’s valuations records and information from previous research reports.

# Objectives of the Study

* To examine receivables management policy applied by small scale enterprises
* To determine the profitability levels of small scale enterprises
* To determine the relationship between receivables management and profitability of small scale enterprises.

**Calculation of the relationship between accounts receivables management and profitability using Pearson product moment correlation coefficient**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Respondents: Top management and employees** | | | | | |
| Response | **Receivables**  **Management**  **(x)** | **Profitability**  **(y)** | **X2** | **Y2** | **xy** |
| Strongly agree |  | 8 | 16 | 9 | 12 |
| Agree | 11 | 12 | 256 | 225 | 240 |
| Not sure | 0 | 3 | 9 | 4 | 6 |
| Strongly agree | 0 | 0 | 0 | 0 | 0 |
| Disagree | 0 | 0 | 0 | 9 | 0 |
| Total | 23 | 23 | 281 | 247 | 258 |

Source: primary data

The relationship between accounts receivables management and profitability using product moment correlation coefficient.

**Findings**

* It was established that Nava Bharat Industries has a receivables management policy. Most of the respondents strongly agreed or agreed to the same. This is true as it is in conformity with the previous studies carried out on the same topic.
* It was further established that between 2017 and 2022, the enterprise’s profitability was improving. The indicators of improvement in profitability were expansion of operations renovations of the existing facilities e.g. extension of Katwe branch. Improvement in profitability was to some extent attributed to the use of receivables management policy which ensures optimal investment in accounts receivables and thus minimizing bad debt losses.
* It was found out that the relationship between receivables management and profitability was very strong with a correlation coefficient (r) of 0.97. Thus the profitability of a firm will vary depending on the receivables management policy adopted by the particular firm.

# Suggestions

Further researcher should be conducted in the following areas

1. Receivables management and customer retention.
2. Customer turnover and profitability.
3. Receivables management and liquidity position.

**Conclusion**

From the finding it can be concluded that Nava Bharat Industries uses a stringent receivables management policy. The way receivables are managed profoundly affects profitability. The researcher emphasizes that receivables constitute a significant portion of the firm’s current assets and thus should be managed properly.

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**Websites**

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