**A STUDY ON MANAGEMENT** **OF ACCOUNTS RECEIVABLES AND PROFITABILITY OF SMALL-SCALE ENTERPRISES AT NAVA BHARAT INDUSTRIES, VISAKHAPATNAM-AP**

**VEGIROUTHU VEERA VENKATA NAVA TEJA , 2nd  MBA**

Emai lD : navateja42@gmail.com

And

**Dr. R. RAJA**

**Assistant Professor**

##### Department of Management Studies

Godavari Institute of Engineering & Technology (A)

Rajahmundry, Andhra Pradesh ,India.

Email ID: rachagundlaraja@giet.ac.in

**ABSTRACT**

A financial plan is a strategy communicated in quantitative term. The term has been gotten from the French word “roll” which implies a little pack. The spending plan gives a measuring stick from which the presentation can be assessed. It is smarter to contrast the genuine outcomes and the spending plan as opposed to the paste since the previous outcomes may not be responsible for current and anticipated conditions. It bargains in earthenware tails to supply the over all in the Andhra Pradesh. The significance of the Accounts Receivables and Profitability helps uncertainty making measure in making trail esteem. Accounts Receivables and Profitability is the drawn-out monetary arranging measure for taking long haul speculations. The assessment of strategies of Receivables and profitability is utilized for breaking down the venture in NAVA BHARAT INDUSTRIES, VISAKHAPATNAM-AP

**KEYWORDS:** Accounts Receivables, Profitability , Organization, Effectiveness.

**INTRODUCTION**

**Meaning of Financial Management:**

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

**PROFILE OF FARM MACHINERY INDUSTRIES IN INDIA:**

The Indian agricultural machinery market is projected to record a CAGR of 4.9% during the forecast period 2022-2027.

The COVID-19 pandemic had a negative impact on supply chains. Due to restrictions in the movement of raw materials, the manufacturing sector suffered initially in terms of supply and cash flow. The sales of agricultural machinery also declined around the world due to the lockdown. Manufacturers still need to take measures to tide over uncertainties from the COVID-19 pandemic and work on innovations to grow their sales value.

Some major drivers of the Indian agricultural machinery market identified in this report include favorable government policies, rising farm incomes, and the importance of mechanization for productivity in India. Major restraints identified in this report are fragmented land holdings, agricultural commodity price volatility, and product knowledge constraints among unskilled manpower.

The potential for growth in the agriculture machinery sector is huge in India, given its growing population, high economic dependence on the agriculture sector, changing demographics, and food security concerns. In Asia-Pacific, India has remained one of the primary nations, which fueled the growth of its agricultural equipment market due to the country's high level of dependence on agriculture and an increasing inclination toward technology adoption.

**PROFILE OF NAVA BHARAT INDUSTRIES:**

**ABOUT THE COMPANY**

Our Company is a manufacturing unit of Agricultural machines in Agra, India. It started in 1969 and is a partnership firm. We manufacture multi crop Threshers, Paddy Threshers, Maize Threshers , Rotavators, seed drills, chaff cutter & Potato Diggers etc. under the brand "PRAKASH" , which is the symbol of quality, reliability and perfection in the field of agriculture. We provide after sales services to the customers directly or through a set of dealers. The product range manufactured by our company are ISI marked, and are tested by Government of India. At present we sell our products in whole India, Nepal and African countries. Company is well equipped with all-modern machinery used in manufacturing of agricultural machines. Due to the more attention on the quality and services with the team of efficient staff our company has maintained good relations with the farmers in India and Abroad.

**LITERATURE AND REVIEW:**

Accounts receivables refer to the outstanding invoices or payments due from customers for goods or services delivered. The management of accounts receivables involves setting up policies for credit sales, establishing collection procedures, and maintaining cash flow from these outstanding payments.

The efficient management of accounts receivables is crucial for maintaining positive cash flow. As noted by **Raheman and Nasr (2007)**, small businesses are particularly sensitive to cash flow problems. Inefficient management of receivables can lead to delayed payments, poor liquidity, and ultimately financial distress. According to **Deloof (2003)**, a clear credit policy can reduce the risk of delayed payments. Setting up criteria for creditworthiness and establishing clear payment terms can minimize the likelihood of bad debts. Companies offering extended credit periods or lax collection efforts often face cash flow problems, impacting profitability.

A study by **Gill, Biger, and Mathur (2010)** shows that there is a significant negative relationship between the average collection period (ACP) and profitability. In other words, companies with longer receivable cycles often experience reduced profitability due to higher financing costs and missed opportunities for reinvestment.

# **Need For the Study:**

Accounts receivable is the lifeblood of a business's cash flow. It helps with cash flow management by telling you which clients owe you money and how much. This lets you discern whether your cash account accurately reflects your current financial standing.

Accounts receivable is an important element in fundamental analysis, common method investors use to determine the value of a company and its securities. Because accounts receivable is a current asset, it contributes to a company's liquidity or ability to cover short-term obligations without additional cash flows.

# **SCOPE OF THE STUDY:**

* Subject scope. The study focused on the relationship between management of accounts receivables and the profitability levels of Nava Bharat Industries.
* Geographical scope. The research was carried out from the trading premises Nava Bharat Industries.

## Time scope. The study covered the operations of Nava Bharat Industries for the period from 2017 to 2023.

* The study aims to explore the relationship between the management of accounts receivables and the profitability of small-scale enterprises (SSEs). Small businesses often face challenges in effectively managing accounts receivables, which can directly influence their cash flow, liquidity, and overall profitability.

**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.
* To identify the key challenges small businesses, face in managing accounts receivables, including issues related to delayed payments and bad debts.
* To evaluate the impact of efficient accounts receivables management on the profitability of small-scale enterprises.

# **Methodology Of Study :**

Data was obtained from both primary and secondary sources.

**Primary data**:

This provided firsthand information through questionnaires.

**Secondary data:**

The researcher used information from management meeting minutes; company recorded e.g. debtor’s valuations records and information from previous research reports.

**RESULTS AND FINDINGS**

**Characteristics of respondents.**

The respondents were classified according to sex, age, education level so as to get a fair representation of the study population.

**Classification according to gender.**

**Table 5.1**

showing composition of respondents by gender.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **sex** | **frequency** | **Top mgt** | **employees** | **customers** | **percentage** |
| Female | 14 | 2 | 6 | 6 | 35 |
| Male | 26 | 3 | 12 | 11 | 65 |
| total | 40 | 5 | 18 | 17 | 100 |

Source: primary data

**Table 5.1** explains 65% were males and 35% were females. It is also evident from the table above that the males were more than the females by a small margin thus it can be believed to be a good representation of the study population.

**2.****Classification according to age**

**Table5.2**

 Showing composition of respondents by age

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Age(years)** | **Frequency** | **Top mgt** | **Employees** | **customers** | **Percentage** |
| 25and below  | 8 | - | 4 | 4 | 20 |
| 26-35 | 14 | - | 8 | 6 | 35 |
| 36-45 | 10 | 2 | 3 | 5 | 25 |
| 46-55 | 6 | 2 | 2 | 2 | 15 |
| 56 and above | 2 | 1 | 1 | - | 5 |
| Total | 40 | 5 | 18 | 17 | 100 |

Source: primary data

**Table 5.2** explains that35 % were between the age of 26-35, 25% were between 36-45 years, 20% were below 25 years, 15% were between 46-55 and 5% were above 56 years of age. Since all the groups were represented, it meant that their view all were captured and thus a good representative of the population

**3.****Classification according to education level.**

**Table 5.3**

 Showing respondents’ level of education.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Qualification** | **Frequency** | **Top mgt** | **Employee** | **Customers** | **percentage** |
| Secondary | 8 | - | - | 8 | 20 |
| Certificate | 12 | - | 8 | 4 | 30 |
| Diploma | 14 | 2 | 10 | 2 | 35 |
| Degree | 6 | 3 | - | 3 | 15 |
| Total | 40 | 5 | 18 | 17 | 100 |

Source: primary data

**Table 5.3** explains 35% had attained diploma level, 30% had attained certificate level, 20% had completed secondary level and 15% had up to degree level. It can be concluded that the education level was generally adequate to make respondents knowledgeable enough about the subject matter of the study.

**4****.Classification according to the time respondents have been in dealings with Nava Bharat Industries.**

**Table 5.4**

 showing time respondents have been dealing with Nava Bharat Industries.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **years** | **Frequency**  | **Top mgt** | **Employees** | **Customers** | **percentage** |
| Less than 2 | 2 | - | 2 | - | 5 |
| 2-6 | 18 | - | 8 | 10 | 45 |
| 7-10 | 14 | 2 | 6 | 6 | 35 |
| 11 and above | 6 | 3 | 2 | 1 | 15 |
| Total | 40 | 5 | 18 | 17 | 100 |

Source: primary data

**Table 5.4** explains 45% of the respondents had dealt with Nava Bharat Industries for years from 2-6, 35% for years from 7-10, 15% for years above 11years and 5% for less than 2 years. It can be observed that the years respondents had worked or dealt with Nava Bharat Industries were adequate enough for respondents to provide reliable and information about the enterprise.

Since all the characteristic classifications were represented with the majority of the respondents having worked or dealt with Nava Bharat Industries for a period greater than 2 years the information obtained was believed to be reliable.

**5.Showing respondents’ response on the use of receivables management policy at Nava Bharat Industries.**

**Table 5.5**

|  |
| --- |
|  **Respondents: Top management and employees** |
| **Responses** | **Frequency** | **Percentage** |
| Strongly agree | 12 | 52 |
| Agree | 11 | 48 |
| Not sure | 0 | 0 |
| Strongly disagree | 0 | 0 |
| Disagree | 0 | 0 |
| total | 23 | 100 |

Source: primary data

**Table 5.5** Explains that12 respondents out of 23 strongly agreed that Nava Bharat Industries has receivables management policy and these represent 52%, 11 respondents agreed to the same thus representing 48%.

**FINDINGS:**

**Accounts receivables management**

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.

**Profitability**

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.

**Relationship between accounts receivables management and profitability**

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.

**Recommendations**

After analyzing the findings and found out the relationship between receivables management and profitability, the researcher made the following findings.

In the management of receivables, credit worthiness of customers should be assessed. The costs and risks of maintaining any credit customer should be matched with the returns from such a customer.

Credit rating should be emphasized and adopted, such that if the probability of a particular customer to default is high, the customer can be denied credit. Rational decisions should be whether to or not to trade with a customer to who credit risk has been attached.

There should be adequate work force in the credit control department so as to make fast the process of credit collections.

**SUGGESTIONS:**

* Further researcher should be conducted in the following areas
* Receivables management and customer retention.
* Customer turnover and profitability.
* Receivables management and liquidity position.
* Establish formal credit policies that define clear terms and conditions for extending credit to customers, such as credit limits, payment schedules, and interest on overdue accounts.

**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. Proper management of accounts receivables has a direct positive impact on the profitability of small-scale enterprises by improving cash flow, reducing bad debts, and minimizing the need for external financing. Timely collection of receivables ensures that small businesses maintain healthy cash flow and liquidity, which is crucial for meeting operational expenses, reinvestment, and sustaining day-to-day business functions.

**REFERENCE:**

Joseph, B., NO, R., & ERIC, M. N. (2011). Management of Accounts Receivables and Profitability of Small Scale enterprises. *Journal*, *35*(5), 307-312.

Purwanti, T. (2019). An analysis of cash and receivables turnover effect towards company profitability. *International Journal of Seocology*, 037-044.

Deloof, M. (2003). Does working capital management affect profitability of Belgian firms?. *Journal of business finance & Accounting*, *30*(3‐4), 573-588.

Nwude, E. C., & Agbo, E. I. (2018). Impact of accounts receivable period on the profitability of quoted insurance companies in Nigeria. *Transylvanian review*, *26*(25), 6649-6658.

Gill, A., Biger, N., & Mathur, N. (2010). The relationship between working capital management and profitability: Evidence from the United States. *Business and economics journal*, *10*(1), 1-9.