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RECEIVABLES MANAGEMENT PRACTICES AND FINANCIAL
PERFORMANCE AT CR GARMENTS, TIRUPUR

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Keywords	Abstract
<i>Receivable Management, Accounts Receivable, Liquidity, Profitability, Financial Performance, Credit Policy, Financial Risk, Collection Efficiency, Sustainable Growth.</i>	The company manages its accounts receivable to maintain liquidity, control credit risk, and enhance profitability. Using secondary data from audited financial statements, the study employs ratio analysis, trend analysis, and comparative analysis to evaluate key indicators such as receivable turnover, days sales outstanding, and liquidity ratios. The findings reveal that efficient receivable management contributes significantly to improved cash flow and profitability, whereas delays in collection adversely affect working capital and financial stability. The study concludes that adopting data-driven credit policies, digital invoicing, and proactive collection strategies can further strengthen liquidity and reduce financial risk.

1. INTRODUCTION

The garment industry plays a vital role in global trade and employment, with firms relying heavily on credit sales to sustain customer relationships and market growth. Efficient receivable management is therefore crucial for ensuring liquidity, profitability, and financial stability. This study focuses on CR Garments, a leading knitwear manufacturer in Tirupur, Tamil Nadu, analyzing



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how its receivable management practices influence overall financial performance. By evaluating credit policies, collection efficiency, and key financial ratios, the research highlights the importance of timely collections and disciplined credit control. Effective receivable management not only enhances cash flow and reduces bad debts but also supports operational continuity and long-term business sustainability.

2. STATEMENT OF PROBLEM:

In the highly competitive garment industry, most firms extend credit to customers to boost sales and retain market share. However, excessive or poorly managed credit leads to delay payments, bad debts, and liquidity problems, directly affecting profitability and financial stability. CR Garments, like many export-oriented firms, faces challenges in maintaining a balance between credit sales and timely collections. Inefficient receivable management can strain cash flow, increase dependency on external financing, and hinder operational efficiency. Therefore, the problem addressed in this study is to analyze how effectively CR Garments manages its receivables and how these practices influence its liquidity, profitability, and overall financial performance.

3. OBJECTIVES:

- To analyze the trends in receivables over the study period.
- To assess the efficiency of receivable management in improving financial performance.

4. REVIEW OF LITERATURE:

Several studies have highlighted the importance of efficient receivable management in enhancing financial performance. Ojum and Chukwu (2025) found that delayed collections negatively affect profitability, emphasizing the need for strict credit control. Naushad and Bandopadhyay (2025) observed that higher receivable turnover improves liquidity and return on assets. Kumar et al. (2024) revealed that firms with shorter collection periods achieve better profitability and cash flow stability. Yeye et al. (2024) stressed the role of technology and automation in improving receivable tracking and reducing credit risks. Similarly, Jahan (2020) and Bagade et al. (2023) concluded that clear credit policies, timely collections, and systematic monitoring are essential for maintaining liquidity and minimizing bad debts. Overall, the reviewed literature confirms that disciplined receivable management strengthens working capital efficiency and long-term financial sustainability in manufacturing and garment firms.

5. RESEARCH DESIGN:

This study follows a descriptive and analytical research design to evaluate the receivable management practices of CR Garments, Tirupur, and their impact on financial performance. The research is based on secondary data collected from the company's audited financial statements,



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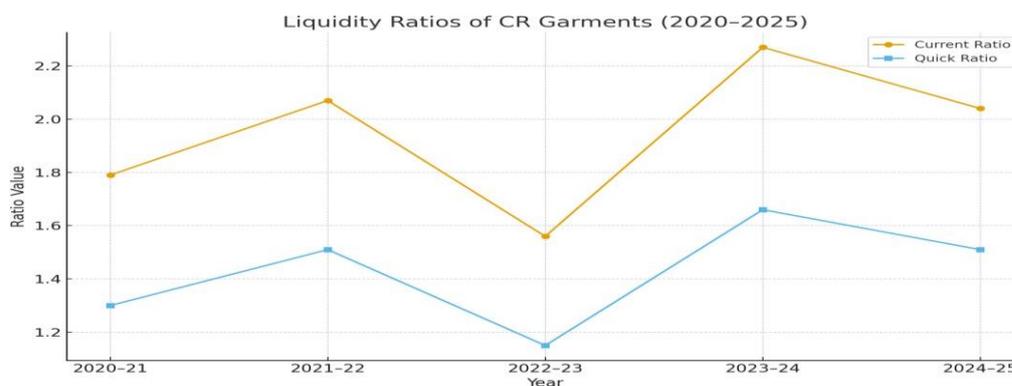
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balance sheets, profit and loss accounts, and receivable records for the five-year period from 2020–21 to 2024–25. Analytical tools such as ratio analysis, trend analysis, and comparative analysis were used to assess liquidity, profitability, and collection efficiency. Key ratios like the Receivable Turnover Ratio, Days Sales Outstanding (DSO), Current Ratio, and Return on Assets (ROA) were calculated to interpret financial performance. Graphical representation was employed to visualize trends. The methodology aims to establish the relationship between effective receivable management and improved liquidity, profitability, and financial stability of CR Garments.

6. DATA ANALYSIS:

➤ **LIQUIDITY ANALYSIS:**

Year	Current Ratio	Quick Ratio
2020–21	1.79	1.3
2021–22	2.07	1.51
2022–23	1.56	1.15
2023–24	2.27	1.66
2024–25	2.04	1.51



Interpretation:

The profitability ratios highlight consistent improvement in financial performance. Net profit margin increased from 6.46% in 2020–21 to 7.10% in 2023–24, showing operational efficiency and effective receivable control. Receivable turnover improved from 4.5 to 5.2, indicating quicker collection and reduced cash conversion cycles.

➤ **PROFITABILITY ANALYSIS:**

Year	Net Profit Margin (%)	Receivable Turnover Ratio
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2020–21	6.46	4.5
2021–22	6.46	4.9
2022–23	5.9	4.3
2023–24	7.1	5.2
2024–25	6.85	5.0



Interpretation:

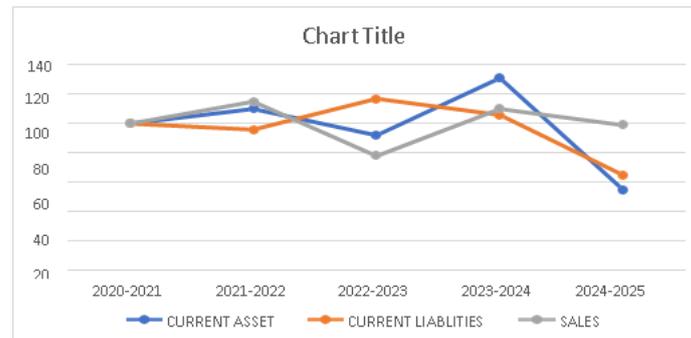
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➤ **TREND ANALYSIS:**

PARTICULARS	CURRENT ASSET	CURRENT LIABILITIES	SALES
2020-2021	100	100	100
2021-2022	110	96	115
2022-2023	92	117	78
2023-2024	131	106	110
2024-2025	55	65	99



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Interpretation

- The trend analysis of current assets shows fluctuating growth over the years. It increased to 131.05% in 2024, indicating strong asset buildup, but dropped sharply to 55.53% in 2025, suggesting reduced liquidity or asset utilization. Overall, current assets showed instability, reflecting changing short-term financial strength
- The trend in current liabilities shows fluctuations over the years, peaking in 2023 (117.15) and declining sharply to 65.43 in 2025. This indicates that the company reduced its short-term obligations significantly, improving liquidity and financial stability.

The sales trend shows fluctuations over the five-year period, rising sharply in 2022 (114.99), then declining in 2023 (77.50), followed by recovery in 2024 (109.93) and a slight dip in 2025 (98.54). This indicates inconsistent sales performance, likely influenced by market demand variations or production and supply factors.

➤ **COMPARATIVE:**

The comparative analysis shows that CR Garments maintained steady growth in sales and assets from 2020–21 to 2023–24, reflecting strong operational performance and effective receivable control. Although sales and current assets declined slightly in 2024–25, this was mainly due to market fluctuations and tighter working capital management. Current liabilities consistently decreased, indicating improved liquidity and reduced dependence on short-term credit.

➤ **COMMON SIZE:**

The common-size analysis further reveals that current assets formed a healthy proportion of total sales, ensuring adequate liquidity, while liabilities as a share of sales declined over the years, showing stronger solvency. The net profit margin improved from 6.46% to 7.10%, confirming efficient cost and credit control. Overall, the company demonstrated sound financial management, stable profitability, and effective receivable practices that supported sustained financial performance.

7. FINDINGS



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1. CR Garments maintained good liquidity with current and quick ratios above standard levels.
2. Receivable turnover improved, showing faster collections and better cash flow.
3. Profitability increased steadily, proving effective receivable control.
4. Comparative and common-size analyses revealed reduced liabilities and strong financial stability.
5. A slight dip in 2024–25 reflected temporary market changes, not internal inefficiency.

8. SUGGESTIONS

- Strengthen credit policies and customer evaluation to reduce delays.
- Introduce digital invoicing and automated reminders for quicker collection.
- Diversify customers to reduce credit concentration risk.
- Provide staff training on receivable tracking and credit control.
- Review receivable policies regularly to maintain liquidity and profitability.

9. CONCLUSION:

The study concludes that CR Garments has effectively managed its receivables, maintaining sound liquidity and profitability over the study period. Efficient receivable management has played a key role in supporting operational stability, reducing dependency on external financing, and improving overall financial performance. The integration of technology and disciplined credit control practices has contributed to timely collections and steady cash flows. Although minor fluctuations were observed in 2024–25, these were largely due to external market conditions rather than internal inefficiencies. By implementing strategic improvements such as automated receivable monitoring, diversified credit policies, and continuous financial review, CR Garments can further strengthen its financial resilience and sustain long-term growth in the competitive garment industry.

10. AUTHOR(S) CONTRIBUTION

The writer affirms that they have no connections to, or engagement with, any group or body that provides financial or non-financial assistance for the topics or resources covered in this manuscript.

11. CONFLICTS OF INTEREST

The author declared no potential conflicts of interest with respect to the research, authorship, And/or publication of this article.

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