

Receivables Management : A Study of Select State Owned Power Distribution Utilities in India

SYED AZHAR*
KHUDISYA ZEESHAN**

Abstract

The paper attempted to evaluate the management of receivables in terms of accounts receivable in days, collection efficiency, aging schedule, contribution of debtors- consumer wise, bad debts contribution by different set of consumers and identifying the problems in managing debtors and critical factors that reduce the non-payment of dues by a different set of consumers. The study used Judgmental sampling method. The data is collected from 44 General Managers (Accounts & Finance) and General Manager (Revenue) through structured questionnaire. Further to support and strengthen the analysis, secondary data for the variables such as accounts receivables and collections was obtained from PFC reports for the period of 2010-2019. The study found there is a significant difference in the management of accounts receivables and collection efficiency between the sample states.

JEL Code : G32 ; O16 ; N75

Keywords : Receivables Management, WCM, Energy, Electricity, PSU, Power Distribution, Revenue, India.

I. Introduction

RECEIVABLES OCCUPY AN important place and constitute a substantial portion among the current assets in working capital management. They are especially high and are considered by many as the riskiest asset in a firm's balance sheet (Boden and Paul, 2014). It is a key component in management of working capital, irrespective of firms operating in different industries (Adusei, 2017). There is difference in various components of working capital in different industries (Filbeck and Krueger, 2005; Padachi, 2006) and across different geographical areas (Kequan, 2011).

* Assistant Professor, ICBM School of Business Excellence, Plot No. 2A, Upperpalli 'X' Roads, Attapur, Hyderabad, Telangana 500048, INDIA

** Assistant Professor, Koneru Lakshmaiah Education Foundation (Deemed-to-be-University), Green Fields, Vaddeswaram, Andhra Pradesh 522502, INDIA

- To Implement Revenue Recovery Act to realize arrears. Revenue Recovery Act is being used to realize power bill dues, and therefore the staff should act on time to ensure that the utilities recover the dues. It is useful to recover dues from industrial consumers where recovery amount is high.

VIII. Conclusion

This paper attempted to study the management of receivables in state-owned power distribution utilities in India. The study found that management is well structured for managing receivables effectively. The utilities have differed in the management of accounts receivable and collection efficiency. The success of managing these utilities can be attributed to the state regulatory body and the state power distribution utilities, which were prompt in collecting dues. Domestic and agricultural consumers have contributed to high bad debts. The utilities have emphasized on disconnection of electricity as an effective tool to control defaulter. It is found that inaccurate billing, late receipt of subsidies from the government, late payment by customers, inadequate metering, bad debts issues, revenue leakages due to unbilled, lack of appropriate collection mechanism are the key problems in the management of receivables effectively. The critical success factors in reducing non-payments of dues are preparing aging schedule, accurate billing, prioritize delinquent consumer accounts for collection follow-up, late receipt of subsidy from the government to manage receivables effectively and efficiently.

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