



CREDIT CONTROL AND RECEIVABLES MANAGEMENT AS DETERMINANTS OF CUSTOMER RELATIONSHIP EFFECTIVENESS: A STUDY OF RANBA CASTING LIMITED

D. Mythili* & Shruthi V J**

* Assistant Professor, Department of MBA, Sri Ramakrishna College of Arts & Science, Coimbatore, Tamil Nadu, India

** Student, Department of MBA, Sri Ramakrishna College of Arts & Science, Coimbatore, Tamil Nadu, India

Cite This Article: D. Mythili & Shruthi V J, "Credit Control and Receivables Management as Determinants of Customer Relationship Effectiveness: A Study of Ranba Casting Limited", International Journal of Engineering Research and Modern Education, Volume 11, Issue 1, January - June, Page Number 20-22, 2026.

Copy Right: © Crystal Pen Publication, 2026 (All Rights Reserved). This is an Open Access Article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Type of Review: Peer Reviewed as per |C|O|P|E| Guidance.

Disclaimer: The scholarly papers reviewed and published by Crystal Pen Publication, India, reflect the views and opinions of their respective authors and do not necessarily represent the views or opinions of Crystal Pen Publication. The publisher disclaims any responsibility for any harm, loss, or damage resulting from the use of the published content by any party.

DOI: <https://doi.org/10.5281/zenodo.18709531>

Abstract:

In today's dynamic and competitive business environment, effective financial management is one of the most critical factors determining organizational success and sustainability. Among the various aspects of financial management, credit control and receivables management plays a vital role in maintaining liquidity, profitability and customer satisfaction. This article focuses on the analysis of credit control mechanism and receivables management practices. The study evaluates the company's existing credit policies and their impacts on financial performance, and challenges focused in ensuring timely recovery. The findings reveals that while the company demonstrates moderate efficiency in credit management, there are significant opportunities for improvement through automation, policy standardization, and better inter- departmental co-ordination.

Key Words: Financial Management, Customer Satisfaction, Credit Control Policies.

Introduction:

Credit control is the back bone of financial management. It governs the way organization extend, monitor and collect credit sales from customers. In manufacturing sectors where bulk transactions are often on credit, efficiency of the credit control efficiency of credit control directly affects liquidity and profitability. Poor credit control management can result liquidity and profitability crisis increased bad debts, and disruption of production activities. On the other hand a well continuous cash flow. The present study explores how company manages its credit and receivables to sustain business growth while maintaining financial discipline.

Overview of the Foundry:

The foundry and casting industry is among the oldest and most essential sectors of manufacturing. It forms the backbone of key industrial segment such as automative construction, engineering and agriculture. India ranks among the largest procedure of casting in the world with major foundry hub located in Coimbatore, Kolhapur, Rajkot, and Belgum. The industry has undergone sustainable modernization over the years, incorporating advanced technologies like automation, robotics and digital design system. These innovations have improved productivity and quality, making Indian foundries competitive in both domestic and global market. Despite this progress, the industry faces challenges such as rising raw material costs, energy shortage and delayed customer payments. Financial management particularly credit control is therefore vital for ensuring smooth operations and stable cash flow in the foundry business.

Statement of the Problem:

Effective credit control and receivables management are crucial for maintaining the financial health of any business. At Ranba casting limited challenges such as delayed payments poorly managed receivables, and unclear credit policies may affect the cash flow, profitability, and growth of the company. The study aims to evaluate how the company's credit practices influences its financial performance and customer loyalty, and to identify areas for improvement in managing customers.

Review of Literature:

Rani (2021) Rani highlighted that training employees on credit appraisal and follow-ups improves the overall performance of credit management. Her study found that the cross-functional coordination between sales and finance teams reduces payment disputes. She emphasized the importance of human factors in improving collection outcomes.

Rao and Pillai (2021) Roa and Pillai argued that credit assessment should include both financial behavior and aspects of the customer. They found that companies using holistic evaluation approach face fewer default. Their study stressed the need for combining quantitative data with quantitative judgment.

Singh and Kaur (2021) Their study focused on the impact of early Payment discount on cash flow. They found that offering reasonable discounts encourages timely payment and reduce receivable days. However, excessive discounts may reduce profitability. Hence, firms should find an optimal balance that benefits both liquidity and revenue.

Narayanasamy (2020) Narayanasamy's study emphasized the important and continuous monitoring of accounts receivable. He found that regular follow ups and early reminders help in reducing overdue accounts. The study also highlighted the use of technology and automation in improving the collection and maintaining customer satisfaction simultaneously.

Objective of the Study:

- To analyze the current credit control policies and procedures adopted by ranba casting limited.

- To identify the challenges faced by ranba casting limited in managing credit and receivables.
- To access the impact of credit control on the company’s liquidity, profitability
- To study effect of credit policies on customer satisfaction and loyalty.

Research Design:

The study adopted the descriptive research design to understand the company’s credit management practices. Both the primary and secondary data are used. Primary data were collected through the structured questionnaire administered to 36 employees across department such as finance, accounts and sales.

Data Analysis Tools:

- Chi-square test
- Correlation

Analysis:

Correlation Analysis:

Table 1: To show company’s credit control policies and procedure influences liquidity, profitability, and the challenges faced in managing credit and receivable

Null Hypothesis (H₀): There is no significant relationship between credit control policies, liquidity and challenges in credit management.

		c1	c2	c3
c1	Pearson Correlation	1	.307	.633
	Sig. (2-tailed)		.069	.000
	N	36	36	36
c2	Pearson Correlation	.307	1	.363
	Sig. (2-tailed)	.069		.030
	N	36	36	36
c3	Pearson Correlation	.633	.363	1
	Sig. (2-tailed)	.000	.030	
	N	36	36	36

Interpretation:

The correlation between C1(credit control policies) and C3(challenges in credit management) is strongly significant ($r=0.633$, $p=0.001$), indicating that well-structured credit control policies are fewer receivables. The correlation between C1 and C2 IS Positive but not significant ($r = 0.307$, $p =0.069$), suggesting that while effective credit policies may improve liquidity, the relationship is not statistically strong. The correlation between C2 and C3 is moderate and significant ($r = 0.363$, $p = 0.030$), showing that the better liquidity management helps in reducing credit-related challenges.

Table 2: Credit terms offered to customers influence their payment behavior, cash flow, and overall satisfaction and loyalty toward the company (C4, C5)

Null Hypothesis: There is no significant relationship between credit terms offered to customers and customer satisfaction and loyalty.

		C4	C5
C4	Pearson Correlation	1	.111
	Sig. (2-tailed)		.518
	N	36	36
C5	Pearson Correlation	.111	1
	Sig. (2-tailed)	.518	
	N	1	.111

Interpretation:

The Pearson correlation coefficient between C4(credit term and payment behavior) and C5(customer satisfaction and loyalty) is 0.137, indicating a very weak positive relationship. The significance value ($p = 0.424$) is greater than 0.05, which means the correlation is not statistically significant. Therefore, there is no meaningful or significant relationship between C4 and C5. Changes in one variable will not have a significant impact on the other

Chi-Square Test:

Table 3: Credit control team’s responsiveness and communication influence customer retention and strengthen customer relationships

Null Hypothesis (H₀): There is no significance association between the effectiveness of the credit control team and customer retention.

	The credit control team is well-trained and effective in managing outstanding receivables and reducing bad debts.	The credit control team's responsiveness and communication influence customer retention.
Chi-Square	29.167	28.444
Df	2	1
Asymp. Sig.	.000	.000

Interpretation:

There is statistically significant associate between respondents’ answers and both statements. This main respondent option is not random most respondents consistently precise that the credit control team is well trained and that is responsive and communication positively influence customer retention. In simple term, the effectiveness and communication of credit control team are recognized as important by the respondent.

Table 4: Company's credit control policies clear, well-documented, and standardized across departments, and do these policies help in building customer trust and satisfaction

Null Hypothesis (Ho): there is a significant difference between the company's credit control policies and customer trust and satisfaction.

	The credit control policies of the company are clear, well-documented, and standardized across departments.	The company's credit policies are fair, transparent, and build customer trust
Chi-Square	37.167 ^a	31.111 ^b
Df	2	3
Asymp. Sig.	0	0

Interpretation:

There is statistically significant association between respondents answered the statement about control policies. This means respondents opinions are not random most tend to agree show a consistent pattern in their responses. In simple terms the company's credit policies are perceived clearly and fairly by respondents.

Table 5: Showing Receivables Turnover Ratio

Year	Receivables Turnover Ratio (RTOR)
2019-2020	7.23
2020-2021	6.77
2021-2022	7.26
2022-2023	7.87
2023-2024	6.19

Interpretation:

Collection efficiency, as measured by RTOR, has deteriorated. The ratio fell from 7.23 in 2019-20 to a low of 6.19 in 2023-24. This shows that the company is less effective at converting its credit sales (receivables) back into cash, signal weakened credit control policies or a less effective follow-up system

Suggestions:

The company should clearly document and standardize its credit policies across all departments. Regular training programs must be connected to improve staff awareness of credit control procedure offering early payment incentives can help improve cash flow and reduce delays. Strengthening communication between finance, sales, and customers will enhance transparency and trust. The company should strengthen its follow up process and enforce timely collections to improve its receivable turnover ratio.

Conclusion:

The study on credit control and receivables management at Ranba casting limited highlights that efficient credit policies are vital for maintaining liquidity, profitability and customer satisfaction. The correlation and chi- square analyses reveal that well-structured credit policies significantly reduce receivables challenges and enhance financial stability. Although the relationship between credit terms and customer loyalty is weak, the finding emphasize the importance of a responsive and well-trained credit control team in building long term customer relationships. Overall, the company demonstrates moderate efficiency in the credit management, but there is scope for improvement through policy standardization, sell training, inter-departmental coordination, and technological automation to ensure stronger financial discipline and customer trust. Enhancing monitoring practices and adopting automation can help the company restore faster collections and maintain steady cash flow.

References:

- Ms. C. Ranganayaki, (2024).A study on analyzing the financial performance and Conducting ratio analysis of the company "Voith", Journal of The Oriental Institute, Pg. No: 86-92.
- Divya, D., Darshan, R., & Abdullah, A. S. (2025).Financial performance and working capital management at Devi motors - A Yamaha dealership perspective. 2-41.
- Dr. B. Merceline Anitha, Santhosh Kumar R, (2024), A Study On Analysis Of Working Capital At Autotex Private Limited, 0976-5425, Volume 30, Issue 02, 113-116.
- Dr. Jayashree R. (2025). A Study on Financial Performance Analysis of United Tyres with Reference to Coimbatore City, International Journal of Research in Management, ISSN: 2664-8806, Volume 7, Issue 1, February 2025, Page No: 604-607
- Agarwal, P. (2018). Customer Satisfaction and Receivables Management: A Comparative Study. International Journal of Business Administration, 9(1), 50-63.
- Weston, J. F., and Copeland, T. E. (2018). Managerial Finance. The Dryden Press, New York.
- Khan, M. Y., and Jain, P. K. (2018). Financial Management: Text, Problems and Cases. Tata McGraw Hill Publishing Co. Ltd., New Delhi
- Deloof, M. (2003). Does Working Capital Management Affect Profitability of Belgian Firms. Journal of Business Finance and Accounting, 30(3-4), 573-588.
- Smith, J. (2016). Credit Policy and Customer Satisfaction in Modern Enterprises. International Journal of Financial Studies, 4(2), 115-127.
- James, R., and Black, T. (2016). The Strategic Role of Credit Control in Enhancing Sales and Profitability. International Review of Business and Finance, 5(3), 201-210.
- Kumar, R., and Sharma, A. (2017). Receivables Management and Profitability: An Empirical Analysis of Indian Manufacturing Firms. Indian Journal of Finance, 11(2), 22-35.