International Journal of Creative and Open Research in Engineering and Management
ISSN: 3108-1754 (Online)
Volume 02 Issue 11 November-2026 | Impact Factor: 3.5



Impact of Accounts Receivable Management on Working Capital and Financial Performance

A Case Study in the Metalworking and Lubricant Industry

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How to Cite this Article:

Bhiungade, S. (2026). Impact of Accounts Receivable Management on Working Capital and Financial Performance. International Journal of Creative and Open Research in Engineering and Management, 02(11), 1-9. https://doi.org/10.55041/ijcope.v2i11.005

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https://doi.org/10.55041/ijcope.v2i11.005

1. Abstract

Accounts receivable management is an important component of working-capital management. Credit sales generate revenue, but cash is received only when customers pay. Delayed collections can restrict funds available for operating expenses, supplier payments, and other business activities. This paper examines accounts receivable management and its implications for working capital and financial performance in India's metalworking and lubricant industry. It uses a descriptive analytical approach based on on-the-job training (OJT) observations, focusing on overdue receivables, collection patterns, segment-level overdue trends, and profitability during the observation period. Available records indicate frequent late payments, a concentration of overdue balances among a relatively small group of accounts, and an increase in segment-level overdue balances toward the end of the period. Financial performance varied, with losses in the earlier months followed by positive results later. These findings suggest that overdue balances and customer concentration can create cash-flow risks even when a business records accounting profit. The paper recommends a customer-wise credit-risk dashboard, risk-based collection priorities, documented escalation rules, regular ledger reconciliation, and closer coordination between sales and finance. As a descriptive case study, it identifies patterns and managerial implications but does not establish that receivables alone caused changes in profitability.

Keywords: accounts receivable management; working capital; overdue receivables; collection efficiency; cash flow; profitability; metalworking and lubricant products; case study

2. Introduction

Working capital supports routine business activities, including purchasing raw materials, maintaining inventory, paying employees, and meeting supplier obligations. In business-to-business markets, credit sales help maintain customer relationships and competitiveness. However, credit sales create accounts receivable, and cash collection may occur later than revenue recognition. When customers pay late, funds remain tied up in receivables, and the business may need to rely more heavily on available cash or external financing.

Accounts receivable management includes setting credit terms, recording invoices, monitoring due dates, following up with customers, resolving disputes, and collecting outstanding amounts. An effective process balances sales growth with credit risk. Restrictive credit terms can hurt sales and customer relationships, while weak credit controls can increase overdue balances, bad-debt exposure, and financing needs.

The metalworking and lubricant industry includes industrial lubricants, metalworking fluids, and specialty products. In this industry, commercial credit terms and repeat transactions make receivables monitoring an important finance activity. The OJT project included customer-outstanding reviews, overdue-invoice tracking, ageing analysis, ledger reconciliation, and profitability and segment analysis.

The case is relevant because accounting profit does not necessarily mean that the same amount of cash has been collected. A business may report positive profits while a significant portion of its sales remain unpaid. Accordingly, this



paper reviews the receivables indicators available in the OJT data and considers their implications for working-capital discipline and financial performance.

The paper is organised around literature review, research gap, objectives, methodology, data analysis, findings, managerial suggestions, conclusions, and limitations. Confidential financial figures have been omitted, and the discussion focuses on patterns and implications rather than specific amounts.

3. Review of Literature

Working-capital management has been widely studied as a short-term financial management issue. It includes decisions concerning receivables, inventory, and payables. These components jointly affect how quickly cash invested in operations returns to the business.

Richards and Laughlin (1980) discussed the cash conversion cycle to assess the timing of cash flows through operating activities. Their framework highlights the time between cash outflows for operations and cash inflows from customers, alongside conventional accounting measures. For a credit-based industrial business, receivables collection is one component of this cycle.

Shin and Soenen (1998) examined the relationship between working-capital efficiency and corporate profitability. Their work helped establish the importance of considering the time funds remain committed to operating activities. This provides a conceptual basis for reviewing overdue receivables as a potential source of working-capital pressure.

Deloof (2003), using data from Belgian non-financial firms, reported that profitability was associated with components of working-capital management, including the number of days accounts receivable remained outstanding. The study suggested that firms may improve profitability by reducing the time taken to collect receivables and by managing inventory efficiently. These findings support the relevance of receivable collection monitoring, although results from a multi-firm study cannot be assumed to apply identically to every industry case.

Lazaridis and Tryfonidis (2006) examined listed companies on the Athens Stock Exchange and reported a statistically significant relationship between profitability and the cash conversion cycle. Their findings also emphasised the need to manage receivables, payables and inventory at appropriate levels. The study reinforces the idea that receivables should be evaluated as part of the broader operating cycle rather than in isolation.

The literature provides a conceptual link between receivables collection, working-capital efficiency and profitability. However, results vary by industry, customer payment practices, credit policy and cost structure. In the metalworking and lubricant industry, a descriptive analysis of overdue value, late-payment frequency, customer concentration and segment trends can provide actionable insight even when the available data are insufficient for statistical testing.

4. Research Problem and Research Gap

Delayed customer payments can leave a substantial amount of operating cash tied up in overdue receivables. If high-risk accounts are not identified early, collection action may be delayed, customer concentration may increase exposure, and the business may face pressure when funding routine operations.

The OJT records indicate frequent late payments, concentration of overdue value among the largest accounts, and an increase in segment-level overdue balances during the observation period. These indicators make it useful to examine receivables management from a practical finance-control perspective.

This paper addresses the limited descriptive evidence available on overdue receivables and collection-risk indicators in the metalworking and lubricant industry. Much of the cited literature analyses larger samples of firms and uses statistical measures such as receivable days and the cash conversion cycle. The available OJT data instead provide operational indicators, including overdue value, late-payment frequency, chronic late-payer patterns, and customer concentration.

The paper does not claim to fill the broader empirical literature gap or to prove a causal relationship. The available dataset does not provide a complete, consistently defined series of opening and closing receivables, credit sales, cash collections, inventory days, and payable days required to calculate a full cash conversion cycle or run statistical tests. The study therefore focuses on descriptive evidence and practical managerial implications.



5. Research Objectives

- To examine the overdue accounts receivable position described in the OJT records for the metalworking and lubricant industry.
- To assess late-payment frequency, chronic late payers, and concentration of overdue balances.
- To review month-wise movements in overdue balances tracked for the metalworking and lubricant segments during the observation period.
- Considering the receivables findings alongside the reported financial performance for the same five-month period.
- To recommend practical controls that may improve collection discipline, cash-flow visibility, and working-capital management.

6. Research Methodology

6.1 Research design

The study uses a descriptive case-study design based on OJT records. It analyses receivables indicators and monthly financial trends. It is not experimental and does not use inferential statistical testing.

6.2 Data sources

Primary practical input included observation, discussions with the Finance and Accounts team, and work completed during the training period. Internal and secondary sources included accounting records, receivables trackers, ageing information, segment reports and monthly profitability worksheets. Tally Prime and Microsoft Excel were used to organise, reconcile and analyse records.

6.3 Period and unit of analysis

The analysis covers the observation period documented in the OJT records. The unit of analysis is the receivables dashboard and segment-level overdue balances, supplemented by the monthly profitability summary.

6.4 Analytical techniques

- Descriptive analysis of overdue receivable value and the share reported as overdue.
- Review of historical late-payment frequency and chronic late-payer count.
- Concentration analysis using the reported share of overdue value represented by the top ten accounts.
- Month-wise comparison of overdue balances for Metalworking and Lubricants.
- Comparison of monthly revenue, gross margin and net profit as reported in the OJT analysis.
- Interpretation of results and development of practical collection-control recommendations.

6.5 Key measures

Measure	Meaning in this paper
Current overdue AR	Overdue receivables reported by the OJT dashboard for May 2026.
Overdue share	Share of measured accounts receivable classified as overdue in the dashboard.
Historical invoices paid late	Reported proportion of historical invoices that were paid after the due date.
Top ten concentration	Reported share of overdue value attributable to the ten largest overdue accounts.
Segment overdue balance	Month-wise overdue amounts reported separately for Metalworking and Lubricants.
Net profit margin	Net profit is divided by revenue, as presented in the OJT profitability analysis.



6.6 Data handling and confidentiality

Confidential financial figures and customer names have been omitted. The OJT report contains more than one receivable measure, including a segment-trend balance and a dashboard total overdue balance. These measures may reflect different reporting scopes or definitions and should not be combined without validation. The study setting and terminology have been generalised to the metalworking and lubricant industry.

6.7 Methodological limitation

The available data do not establish a direct causal effect of receivables management on profitability. The study also lacks a fully reconciled monthly series for credit sales, cash collections, average receivables and other cash-conversion-cycle components. Therefore, conclusions are descriptive and should be interpreted as case- specific.

7. Data Analysis and Interpretation

7.1 Receivables dashboard indicators

The dashboard indicates overdue exposure and concentration risk. Late payment is common, and a relatively small group of accounts represents a substantial share of overdue value. A standard reminder process for all customers may therefore be less effective than a tiered approach that prioritises overdue value, days past due, payment history and customer-specific disputes.

7.2 Month-wise overdue trend by business segment

Overdue balances in the segment table declined during part of the observation period and then rose toward the end. The largest increase occurred in the metalworking segment, while the lubricant segment also increased. The latest movement warrants invoice-level validation and prompt review of the largest balances.

The OJT report separately presents a broader total overdue balance. Because this differs from the segment-trend total, the measures should not be treated as interchangeable until their reporting dates, scope, and definitions are confirmed.

7.3 Financial performance during January–May 2026

The OJT analysis indicates that financial performance improved after an initially difficult period. The earlier months recorded net losses, while later months recorded positive net profit. Gross margin also improved overall, although it varied from month to month. The available information does not establish whether receivables performance caused this change; product mix, sales volume, raw-material costs, expenses and other factors may also influence profitability.

7.4 Segment-level financial context

The metalworking segment generated a larger share of revenue and most of the adjusted net profit. The lubricant segment recorded comparatively stronger gross and contribution margins but lower adjusted net profit. Segment reporting should therefore consider cost allocation and operating expenses, not only revenue or gross margin. Receivables monitoring can be integrated with segment reports to identify where overdue balances, and profitability pressures overlap.

7.5 What the data implies for working capital

Overdue receivables delay cash inflows and can lengthen the operating cash-conversion process. The dashboard indicates a high overdue share, frequent late payment, and substantial concentration among the largest accounts. However, because the study does not contain a complete reconciled series for average receivables, credit sales, inventory and payables, it does not calculate days sales outstanding or the full cash conversion cycle. The findings should therefore be understood as indicators of working-capital pressure rather than a complete measurement of net working capital.



8. Findings and Discussion

- The dashboard indicates a material overdue position. Because confidential financial amounts have been omitted and the dashboard contains differently scoped measures, the precise balances are not reproduced here.
- Late payment was widespread. The OJT records identified recurring late payment behaviour among a group of customers during the observation period.
- Overdue value was concentrated among the largest accounts, indicating that a targeted approach may be more effective than treating all accounts equally.
- Segment-level overdue balances rose toward the end of the observation period, with the metalworking segment accounting for the largest increase.
- Reported profitability improved after the earlier months, which recorded losses, followed by positive monthly results later in the observation period. Specific financial amounts have been omitted.
- Receivables and profitability must be interpreted together but not conflated. Profit is an accounting measure, while collection is a cash-flow event. Positive profit does not ensure that cash has been received from customers.
- Data definitions and reconciliation matter. The difference between the May segment-trend overdue balance and the detailed dashboard total indicates a need to document reporting dates, scope, due-date rules, and status definitions.
- Collection management requires cross-functional ownership. Finance can monitor balances, but sales and customer service teams may be needed to resolve disputes, confirm delivery or documentation, and communicate with customers.

Overall, the case supports the practical importance of timely receivables monitoring in a credit-based industrial business. The results are consistent with working-capital literature that treats collection periods as an important element of operating efficiency (Deloof, 2003; Lazaridis & Tryfonidis, 2006). Nevertheless, this descriptive study is limited to the available OJT records and observation period; it is not a statistical test of the relationship between receivables and profitability.

9. Suggestions and Managerial Implications

9.1 Introduce a customer-wise collection-risk dashboard

Prepare a weekly dashboard showing customer name/code, invoice date, due date, amount, days past due, payment history, dispute status, credit limit, and next action. Use consistent categories such as not due, 1–30 days overdue, 31–60 days, 61–90 days, and above 90 days, subject to the organisation's credit policy.

9.2 Priorities high-value and long-overdue accounts

Create a priority list based on overdue amount, days past due, recurrence and customer concentration. Assign an owner and target date to each major account and make escalation proportionate to value and risk.

9.3 Establish clear credit limits and escalation rules

Set customer-specific credit limits and payment terms based on payment history and credit assessment. Define escalation stages for approaching due dates, first overdue reminders, repeated overdue balances, and severe delinquency. Any hold on further credit or supply should follow approved policy and be coordinated with sales management.

9.4 Improve invoice accuracy and dispute resolution

Ensure invoices are issued promptly and contain correct purchase-order references, delivery documents, tax details and customer information. Record disputes separately and assign responsibility for resolution. Incomplete documentation can delay acceptance and payment even when a customer is willing to pay.

9.5 Reconcile customer ledgers regularly

Reconcile customer ledgers and receipts at least monthly, with more frequent review for major accounts. Match receipts to invoices promptly, investigate short payments and unallocated receipts, and maintain a documented trail of corrections.



9.6 Connect finance and sales teams

Include overdue and collection performance in periodic sales reviews. Sales teams can help confirm customer contacts, resolve commercial issues, and understand payment delays. Collection responsibility should be clear without relying only on informal reminders.

9.7 Track useful receivables KPIs

KPI	Suggested use
Days Sales Outstanding (DSO)	Track average collection time using consistent average receivables and credit-sales data.
Overdue percentage	Monitor overdue AR as a share of total AR, using a fixed reporting definition.
Collection effectiveness	Measure cash collected against amounts due during a defined period; document the formula.
Ageing mix	Track the share of overdue balances in each ageing bucket.
Promise-to-pay kept rate	Measure whether customers pay on the dates they committed to.
Dispute resolution time	Identify invoice or delivery issues that prevent collection.
Top-customer concentration	Monitor how much overdue exposure is held by the largest accounts.

9.8 Reconcile dashboard definitions before management reporting

The finance team should maintain a short data dictionary defining 'total AR pending', 'currently overdue', 'overdue invoices outstanding', the reporting cut-off date and whether the measure is based on invoice value or customer balance. This would help prevent different reports from presenting apparently conflicting figures.

9.9 Link collection planning with cash-flow forecasting

Prepare a rolling cash forecast that distinguishes expected collections by due date, overdue collections by risk category, and expected supplier payments. Scenario analysis can show the cash impact if major customers pay one or two weeks later than expected.

9.10 Suggested implementation plan

Timeline	Action	Responsibility
First 30 days	Agree definitions, validate balances, create top-overdue list and assign account owners.	Finance / Accounts Receivable
30–60 days	Launch weekly ageing dashboard, standard reminder schedule and dispute log.	Finance with Sales and Customer Service
60–90 days	Review credit limits, escalation rules and KPI trends; report exceptions to management.	Finance Manager / Sales Management
Ongoing	Reconcile customer ledgers, analyse late-payment causes and refine collection actions.	Finance / Accounts Receivable



10. Conclusion

This case study examined accounts receivable management and its implications for working capital and financial performance in the metalworking and lubricant industry using OJT records. The dashboard indicated overdue exposure, frequent late payments, and a concentration of overdue value among the largest accounts. Segment-level overdue balances increased toward the end of the observation period, particularly in the metalworking segment. These patterns indicate that customer collection risk requires regular management attention.

The financial analysis showed positive monthly profits in the later part of the observation period after losses in the earlier period. These results provide financial context but do not prove that receivables management caused changes in profitability. The study's main contribution is its practical demonstration of how ageing analysis, customer concentration, segment trends and profitability reporting can be used together to identify collection priorities.

A structured collection-risk dashboard, clear credit limits, timely ledger reconciliation, documented escalation rules and stronger coordination between finance and sales are recommended. Better reporting definitions and a longer, reconciled dataset would also enable the industry case to monitor DSO and the cash conversion cycle more reliably. The findings are specific to this case and should be validated with industry case-approved data before being generalised.

11. Limitations and Scope for Future Research

11.1 Limitations

- The study covers one industry case and is not statistically generalisable to all industrial businesses.
- The analysis period is limited to January–May 2026, so it does not capture a full financial year or seasonal patterns across multiple years.
- The paper uses descriptive OJT data; the underlying records were not independently audited for this research paper.
- The available data set does not provide a complete, reconciled monthly series for average receivables, credit sales, cash collections, inventory days, and payable days. DSO and the full cash conversion cycle are therefore not calculated.
- The study cannot establish causation between receivables management and profitability because several factors, including sales mix, costs, pricing, and operating expenses, may affect profit.
- The OJT report contains differently scoped overdue measures. Their definitions and cut-off dates should be confirmed before publication.
- Customer-level data is confidential and has not been disclosed. Appropriate organisational approval should be obtained before publishing internal financial information.

11.2 Scope for future research

- Extend the observation period to 12–36 months to examine trends and seasonality.
- Calculate DSO, ageing ratios and the cash conversion cycle using consistently defined credit sales, average receivables, inventory and payables.
- Compare receivables performance between Metalworking and Lubricants using standardised segment-level credit sales and collections data.
- Study the reasons for late payments, including invoice disputes, documentation delays, customer liquidity and agreed credit terms.
- Evaluate the impact of a new collection dashboard or escalation policy by comparing clearly defined pre-implementation and post-implementation KPIs.
- Compare anonymised receivables indicators across several industrial manufacturers, subject to data access and consent.

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