
Effectiveness of Receivables Management in Increasing Sales Profit on Credit

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ABSTRACT

This study aims to find out how the results of the analysis of the effectiveness of accounts receivable management in increasing profits through the implementation of policies on the sale of bags on credit at the Vion City Store Probolinggo, productive/profitable or ineffective/unprofitable. This type of research is descriptive research with quantitative methods—primary data sources in the form of interviews and secondary data that is financial statements. Data collection techniques used are observation and data documentation in Vion City Store Probolinggo. The percentage of profit from 2019 until 2019 always decreases to 27.79% in 2019 this is because the average receivables from 2019 to 2019 always increase. Hence, it affects the operating costs (investment), which has grown from the year 2019 until 2019.

Keywords: Receivables Management, Profit, Activity Ratio Analysis

INTRODUCTION

The development of the increasingly complex business world requires business actors to be able to maintain the existence of their businesses, given that business competition is also getting tighter. So companies must have a strategy to survive and compete in the business world. The main purpose of the company is to earn profits and maintain the survival of the company. Profit is obtained if the amount of income received by the company exceeds the costs incurred. Given the increasingly competitive business competition, the company's ability to achieve profits is also constrained, it is necessary to do a strategy to increase profits, one of which is done by increasing sales volume both cash and credit sales. In general, companies will prefer cash sales rather than credit, but there are some companies that prefer credit sales, but competitive pressures have forced most companies to offer credit sales.

The credit sales system is one of the ways taken by the company to increase sales volume. With this sales system, it is expected that product or service sales transactions can increase, in addition to that the company can also get new consumers so that the company's profits will also increase indirectly. Credit sales activities have a good impact, namely the emergence of receivables. Trade

receivables or receivable accounts occur when companies sell goods or services on credit, not cash (Luke, 2008: 395).

Management of receivables begins with the decision whether the company will provide credit or not, then receivables that arise must be monitored so as not to exceed the allowable limit, effective management of receivables also affects the level of profit and risk of the company (Luke, 2008: 395). Lukman (2011: 274) argues that receivables are a form of investment that is large enough in most companies, then with better management of receivables will be able to provide benefits and substantial savings for the company, the overall corporate goals with respect to the management of receivables It should not be emphasized on the speed of collection of receivables, but also must consider the cost-benefit trade-off (profit and loss) that may arise in other aspects of management of receivables such as policies in collecting receivables.

Luke (2008: 395) believes that accounts receivable or receivable accounts occur when companies sell goods/services on credit, not cash. According to Lukman (2011: 242), receivables are an important item in the company because by holding a policy of selling on credit to consumers, this will usually be followed by a greater sales volume compared to the policy in cash. Credit terms or credit terms run by a company are usually determined by the type of business in which the company is involved, or in other words, these credit terms are closely related to the type or nature of the goods being traded (how the goods are transported and used). Credit sales are one way to increase sales other than by increasing the quality of goods, reducing prices, giving special discounts or special prices by selling goods or services for which payments are paid in instalments, meaning that consumers buy goods with payments in the future after a certain period of time (Kasmir, 2010: 231). According to Suparwoto (2014: 167), instalment sales or instalment sales are sales whose payments are made in stages in the future. Instalment sales are made with the aim of increasing sales volume, which in turn will also increase company profits.

According to Harmono (2011: 2011), credit standards are the determination of the criteria for guaranteed credit given to customers and the extent of creditworthy of being given, determining the credit standard policy is highly dependent on the subjectivity and objectivity of information obtained a) Character, the ability to pay creditors. b) Capacity, the customer's ability to generate cash flow. c) Capital, the customer's resources. d) Collateral, credit guarantees. e) Condition of Economic, business conditions. Lukman (2011: 256) argues that the credit standing of a company is defined as the minimum criteria that must be fulfilled by a customer before credit can be given, there are several main factors that must be considered by the company if it intends to change the credit standards applied 1) Administrative Costs. 2) Investment in Receivables. 3) Bad debt expenses. 4) Sales Volume. Following is a table of the effects of the use of credit standards on company profits and the changes that result.

Table 1. Effects of Softening Credit Standards on Company Profits and The Changes that Have Resulted

Information	Change Up or Down	Effects on positive (+) or negative (-) gains
Sales volume	Rise	+
Average collection of receivables	Rise	-
Losses Receivables	Rise	-

Source: Lukman (2011)

According to Lukman (2011: 273), a number of techniques for collecting receivables that are usually carried out by companies when the customer or buyer has not paid up to the specified time are as follows by letter, telephone, personal visit, juridical action. According to Seomarsro (2008: 230), profit is the difference between income over expenses related to business activities, when the burden is greater than income, the difference is called loss, profit/loss is the result of periodic calculations. According to Hanafi and Halim in Ade (2006, p.20) states that earnings growth is

influenced by several factors including the size of the company, company age, level of leverage, level of sales, changes in past earnings.

The Vion City Probolinggo store is a branded bag store that applies a credit bag sales system in its sales strategy. The credit sales activity is expected to increase sales volume and will result in increased profits. However, even though the credit policy has been implemented, a problem still arises, namely, the problem of uncollectible receivables, which affects the company's financial condition. For this reason, we need to know about the ability of Toko Vion Kota Probolinggo to manage the quality of receivables and the success of the collection of receivables in a given period.

RESEARCH METHODS

This type of research used in compiling this research is to use descriptive research conducted with a quantitative approach. Descriptive with quantitative approach emphasizes the numbers so that information from the company can be measured using certain formulas, secondary data in the form of financial statements for the period of 2017 to 2019 are analyzed using analysis of activity ratios to measure the financial condition of the company's receivables, then described accordingly with the results of calculating the formulas used. The population in this study is the Vion Shop Probolinggo Financial Statements (Balance Sheet), which contains information about recording the number of accounts receivable from customers from 2017 to 2019. The sample in this study is the last 3 (three) years financial statements, from 2017 to by 2019 which will be analyzed using activity ratio analysis to find out the results/level of effectiveness of receivables management in increasing the profit of the Vion City Store in Probolinggo, effective/profitable or ineffective/unlucky. Researchers used to interview and documentation of data collection techniques. The document study is a complement to the use of interview and observation methods in this research. With this data collection technique, the researcher obtained data from the financial statements (balance sheets) of the last 3 (three) years starting from 2017 to 2019. From the total data collected will be analyzed quantitative, which will later be described as guidelines for solving problems faced by the Vion City Store Probolinggo. The method used to determine the development of management of receivables at the Vion City Probolinggo Store is to use information through written data from the company in the form of data on corporate financial statements as well as oral information regarding the practice of corporate receivables management. The condition of company receivables is used to determine or assess the management of company receivables.

According to J. Fred Weston in Kasmir (2010: 110) Activity Ratio, is the ratio used to measure the effectiveness of a company is using its assets or the ratio used to measure the level of efficiency in the utilization of company resources, activity ratios are also used for assessing the company's ability to carry out daily activities, types of financial ratios, namely 1) Receivable Turnover, is a ratio used to measure how long the collection of receivables during a period, or how many times the funds invested in these receivables revolve in one period. The accounts receivable turnover ratio gives an understanding of the quality of the receivables and the success of the collection of receivables can be calculated by Receivable Turnover (RTO) is credit sales / on average of Receivables. 2) Days of Receivable, the results of this calculation show the number of days (how many days) the average debt cannot be billed, calculated by $DOR = (\text{Average Receivables} / \text{On average Receivables}) \times 360$ or $DOR = \text{Number of Days in 1 Year} / \text{Receivables turnover}$

RESULTS AND DISCUSSION

Based on the results of interviews with informants and the research conducted, the researchers then describe the findings in the field based on the focus of the research, namely the analysis of the effectiveness of accounts receivable management in increasing profits through the application of

sales policies on credit bags that include credit policies, credit standards, credit analysis, credit requirements, the policy on collecting receivables as well as the techniques of collecting receivables at the Vion Shop in Probolinggo City. Documentation of secondary data of Vion Toko Probolinggo City in the form of financial statements (balance sheet) of the last 3 (three) years from 2017 to 2019 which contains information on recording the number of accounts receivable from customers analyzed quantitatively using analysis of activity ratios to measure the company's financial condition, to find out whether the analysis of accounts receivable management at the Probolinggo City Vion Store is effective/profitable or ineffective/unprofitable which will be described in accordance with the results of the calculation of the activity ratio formula used.

Credit standards in Vion City Probolinggo Stores are prospective customers who must meet the 5C analysis, namely Character, Capacity, Capital, Condition. In addition, there are two things that are no less important in assessing future conditions when providing goods/bags credit, namely Administrative costs, administrative costs included here are the mobilization costs incurred by the Vion City Store in Probolinggo in the process of collecting receivables such as the cost of buying pulses to call/contact the customer, transport costs for personal visits to the customer's home. Investment in Receivables, Toko Vion Kota Probolinggo provides reserve capital to balance the company's financial condition because part of the capital is already embedded in the receivables. Collateral.

The Sales Department analyzes prospective customers at the Vion City Store Probolinggo conducted with 5C analysis and then records the customer's book, the sales department communicates to the store owner for further decision making. The credit requirements for Toko Vion Kota Probolinggo are a) Credit Guarantee, namely to take credit for goods, customers only need to show their ID card or work identity card to record their name, home address or place of work on the customer's book. b) Cash Discount / Cash Discount is applied if the customer is able to pay off credit before the due date, for example, credit that should be repaid three times, the customer is able to pay off the second instalment, then the Vion City Store Probolinggo provides a cash discount of 5% of the price of goods/credit value of goods. c) Credit Period, i.e. changes in credit period are applied if the customer is able to pay off the credit before the due date, for example, a credit that should be repaid for 90 (ninety) days but there are some customers who ask to repay the credit for 45 (forty-five) days. This greatly affects the profitability of the store because there is an opportunity to accelerate the collection of receivables into cash.

Table 2. Vion Store Credit Sales Period 2017 – 2019
(in thousands of rupiah)

No	Month	2017			2018			2019		
		Credit sales	Settlement of Receivables (Before Maturity)	Final Receivables (After Maturity)	Credit sales	Settlement of Receivables (Before Maturity)	Final Receivables (After Maturity)	Credit sales	Settlement of Receivables (Before Maturity)	Final Receivables (After Maturity)
	Accounts Receivable Early						4.645			9.425
1	January	11.190	11.050	140	7.755	7.055	700	11.500	10.100	1.400
2	February	11.110	10.500	610	6.650	6.050	600	7.750	7.050	700
3	March	8.810	8.450	360	10.130	9.130	1.000	10.200	9.750	450
4	April	12.020	11.185	835	11.581,5	10.181,5	1.400	3.390	3.290	100
5	May	12.060	11.780	280	8.860	8.110	750	3.332	3.154	178
6	June	4.450	4.250	200	7.760	7.085	675	4.410	4.160	250
7	July	5.450	5.200	250	-	-	-	4.100	3.900	200
8	August	10.000	9.590	410	11.130	10.130	1.000	5.000	4.590	410
9	September	11.160	10.620	540	11.380	10.130	1.250	8.000	7.640	360
10	October	11.450	10.630	820	11.020	10.070	950	5.000	4.550	450
11	November	4.450	4.250	200	8.840	8.040	800	7.500	6.800	700
12	December	-	-	-	3.390	3.090	300	7.500	6.825	675
	Total	102.150	97.505	4.645	98.496,5	89.071,5	9.425	77.682	71.809	5.873

Source: Vion Shop

Table 3. Vion Store Profit Report Period 2017 - 2019
(In Rupiah)

Components of Income Statement	Year		
	2017	2018	2019
Pendapatan Usaha	97.505.000	89.071.500	71.809.000
Pendapatan dari Luar Usaha			
Jumlah Pendapatan			258.385.500
Biaya Operasi			
Biaya Umum	4.500.000	7.000.000	9.000.000
Biaya Administrasi	7.500.000	10.500.000	11.000.000
Biaya Lainnya	3.000.000	5.000.000	6.700.000
Jumlah Biaya Operasi			64.200.000
Laba sebelum pajak			194.185.500
Pajak			3.530.645,45
Laba setelah pajak			190.654.854,55

Source: Vion Shop

Table 4. Vion's Shop Balance Period 2017 - 2019
(In Rupiah)

Information	Year		
	2017	2018	2019
Assets:			
Current Assets			
Cash	50.000.000,00	89.071.500,00	71.809.000,00
Bank			
Accounts Receivable	4.645.000,00	9.425.000,00	5.873.000,00
Stock	42.000.000,00	35.000.000,00	40.000.000,00
Prepaid expenses	-	-	-
Fixed Assets			
Computer	5.000.000,00	4.250.000,00	3.613.000,00
A4 printer	1.500.000,00	1.225.000,00	1.000.000,00
Building	200.000.000,00	200.000.000,00	200.000.000,00
Motorcycle	30.000.000,00	25.000.000,00	20.000.000,00
Accumulated depreciation	5.000.000,00	5.000.000,00	5.000.000,00
Total Assets	328.145.000,00	358.971.500,00	337.295.000,00
Liability			
Current liabilities			
Accounts payable	-	-	-
Tax payable	-	-	-
Other Debts	-	-	-
Total Current Debt	-	-	-
Long-term debt			
Bank debt	50.000.000,00	38.748.000,00	18.531.000,00
Third-Party Debts			
Total Long-Term Debts	-	-	-
Paid-up capital	278.145.000,00	320.223.500,00	318.764.000,00
Total Capital	328.145.000,00	358.971.500,00	337.295.000,00
Number of Liabilities	328.145.000,00	358.971.500,00	337.295.000,00

Source: Vion Shop

This ratio is to measure the number of times the funds invested in these accounts revolve in one period. Receivables turnover ratio provides an understanding of the quality of receivables and the success of receivables collection. Here are the results of the calculation of the level of receivable turnover (Receivable Turnover / RTO) Vion City Probolinggo Shop for the period 2017 - 2019 as follows:

Table 5. Receivable Turnover (RTO)

Year	Initial Receivables (Rp)	Credit sales (Rp)	Final Receivables (Rp)	Average Receivables (Rp)	RTO	Information	Changes that Happened
2017	-	102.150.000	4.645.000	2.322.500	44	Kali	
2018	4.645.000	98.496.500	9.425.000	7.035.000	14	Kali	↓ (T) Turun
2019	9.425.000	77.682.000	5.873.000	7.649.000	10	Kali	↓ (T) Turun

Source: processed data

From table 5 above shows that the performance of TokoVion City Probolinggo Receivable Turnover (RTO) in the 2017 - 2019 period has always decreased. In 2017 the RTO was 44 times, decreased dramatically in 2018 the RTO became 14 times and decreased again in 2019 to 10 times. The performance of RTO Vion Toko Probolinggo City reached the lowest point occurred in 2019, which is ten times, with an average of very high receivables amounting to Rp. 7,649,000. Broadly speaking, the performance of receivable turnover (RTO) Vion Stores in the City of Probolinggo for the period 2017 - 2019 has always decreased. This happens because the average receivables are very high, so it affects the level of investment in receivables (over-investment) and working capital investment to manage receivables.

Table 6. Table of Receivable Turnover (RTO) Realization Rate

Year	Benchmark / Standard		Realization of Vion Shop RTO	Information	Changes that Happened
2017	15	Time	44 time		-
2018	15	Time	14 time	↓ (down)	down
2019	15	Time	Ten-time	↓ (down)	down

Source: processed data

From table 6, it can be seen that the performance of Receivable Turnover (RTO) Vion Stores in Kota Probolinggo is ineffective/unprofitable. From 2017 - 2019, there has always been a decrease due to the average receivables that are always increasing. It is recommended that accounts receivable revolve 15 times according to the guidelines in the accounts receivable turnover ratio according to Kasmir (2014: 187)

This ratio serves to determine the average days needed to collect receivables and convert it to cash, showing the number of days (how many days) the average debt cannot be billed, can later be used as a guideline for determining the number of days specified in the company's credit standards. The results of the calculation of Average Receivable Collection (Days of Receivable / DOR) Vion City Probolinggo.

Table 7. Average Receivable Collection (Days of Receivable / DOR)

Year	Average Receivables (Rp)	RTO		DOR		Information	Changes that Happened
2017	2.322.500	44	Time	8	Day		
2018	7.035.000	14	Time	26	Day	Up	+
2019	7.649.000	10	Time	36	Day	Up	+

Source: processed data

From table 7 it can be seen that the results of the calculation of the average collection of receivables (Days of Receivable / DOR) at the Vion City Store Probolinggo from 2017 to 2019 always experience an increase. In 2017 the DOR was 8 days, 2018 in 26 days and in 2019 is 36 days. The lowest level of calculation of receivables collection (Days of Receivable / DOR) at Vion City Probolinggo Stores occurred in 2017, where the day needed to convert receivables into cash is eight days.

Table 8. Table of Realization of Average Days of Receivable (DOR)

Tahun	Realization / DOR		Changes that Happened
2017	8	Time	+
2018	26	Time	+
2019	36	Time	+

Source: processed data

From table 8 it is known that the average level of calculation of receivables (DOR) at the Probolinggo City Vion Shop shows that the Probolinggo City Vion Store in each period requires an additional average day of receivables collection. Based on the discussion and quantitative analysis in the previous sub-chapter, it can be concluded that the performance of the Receivable Turnover (RTO) level of the Vion Store in Probolinggo City for the period 2017 - 2019 has always decreased. In 2017 the RTO was 44 times, decreased drastically in 2018 the RTO became 14 times and decreased again in 2019 to 10 times. The performance of RTO Vion Toko Probolinggo City reached the lowest point occurred in 2019, which is ten times, with an average of very high receivables amounting to Rp. 7,649,000. 2017 - 2019 always decreases. This happens because the average receivables are very high, so it affects the level of investment in receivables (over-investment) and working capital investment to manage receivables. The performance of receivable turnover (RTO) at Vion City Probolinggo Stores is ineffective/unprofitable. From 2017 - 2019, there has always been a decrease due to the average receivables that are always increasing. The results of the calculation of the average collection of receivables (Days of Receivable / DOR) at the Vion City Store Probolinggo from 2017 to 2019 always increased. In 2017 the DOR was 8 days, 2018 in 26 days and in 2019 is 36 days.

Table 9. Comparison of 2017 Profit and Loss Statements for 2019

Components of Income Statement	Year			Percentage of Earnings (%)		
	2017	2018	2019	2017	2018	2019
Operating revenues	97.505.000	89.071.500	71.809.000	37,74	34,47	27,79
Income from Foreign Business						
Total Income			258.385.500			
Operating costs						
General Charges	4.500.000	7.000.000	9.000.000	23,36	35,05	41,59
Administrative costs	7.500.000	10.500.000	11.000.000			
Other costs	3.000.000	5.000.000	6.700.000			
Total Operating Costs			64.200.000			

Source: Vion Shop

From table 9 above it can be seen that the percentage of profits from 2017 to 2019 always decreases to 27.79% in 2019 this is because the average receivables from 2017 to 2019 always increase so that it affects operating costs (investment) which have increased from 2017 to 2019.

CONCLUSION

The receivable turnover (RTO) level of Vion Stores in Probolinggo City in the 2017 - 2019 period has always decreased. In 2017 the RTO was 44 times, decreased drastically in 2018 the RTO became 14 times and decreased again in 2019 to 10 times. The lowest RTO performance occurred in 2019, which is ten times, with an average of very high receivables amounting to Rp. 7,649,000. Broadly speaking, the performance of receivable turnover (RTO) Vion Stores in the City of Probolinggo for the period 2017 - 2019 has always decreased. The performance of receivable turnover (RTO) at Vion City Probolinggo Stores is ineffective/unprofitable. The results of the calculation of the average collection of receivables (Days of Receivable / DOR) at the Vion City Store Probolinggo from 2017 to 2019 always increased. In 2017 the DOR was 8 days, 2018 in 26 days and in 2019 is 36 days. The lowest level of calculation of receivables collection (Days of Receivable / DOR) at Vion City Probolinggo Stores occurred in 2017, where the day needed to convert receivables into cash is eight days. The percentage of profit from 2017 to 2019 always

decreases to 27.79% in 2019 this is because the average receivables from 2017 to 2019 always increase, so it affects the operating costs (investment) which have increased from the year 2017 to 2019.

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