



ANALYSIS OF RECEIVABLES MANAGEMENT IN POLAND AND IN SELECTED EUROPEAN COUNTRIES

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In conditions of market economy, receivables management is a very important aspect in the overall financial strategy of the company. Lack of effective policy of receivables recovery, deterioration of payment discipline and the growing needs of the use of trade credit make difficulties associated with cash flow, which consequently may lead to a serious financial crisis, and even company bankruptcy. The aim of this article is to analyze the state of receivables Polish enterprises and problems connected with receivables recovery on the example of selected countries in Europe. The article presents the essence of receivables as well as the policy applied to them. It also presents the best and the worst countries in terms of receivables payments based on the European Payment Index.

Keywords: Receivables, Receivables management, Receivables turnover, European Payment Index

Introduction

In the conditions of market economy receivables management is a very important aspect in the overall financial strategy of the company.

Crediting receivables from customers is a result of the credit policy or the policy of collecting claims run by the company. This policy is associated with taking specific management decisions which, most of all, include: determining the length of payment period for individual customers, determining the size of discounts for immediate cash payment, selecting the method of assessing creditworthiness of customers and establishing methods of recovery of claims. The consolidation of all these elements is the basis for the appropriate management of the company in the field of receivables.

In the contemporary economy, the difficulties connected with recovery of cash for sold goods or provided services increasingly tend to be the reason for serious financial problems of companies or entire industries. Each amount of receivables not paid within the time allowed is the loss for the company. This loss, among others, results from, i.e. loss of income from potential interest (if the amount of receivables had been placed in a bank account), frozen working capital, costs borne by the company due to the correspondence with the debtor or by the employment of the professional debt collection agency.

Therefore, the appropriate monitoring and management of receivables may minimize the risk of suffering losses and arising difficulties in financial management and, consequently, rising the financial crisis of the company and even bankruptcy.

The Essence of Receivables Management

Receivables are due to deferral of payment for products delivered to customers¹.

In corporate accounting receivables are classified as current assets, they are also exclusively cash category and they amount to anticipated receipts, and their value is derived from a variety of economic events occurring in the activity of the company.

On account of the occurrence of numerous types of receivables, they can be classified by different criteria, among which the most significant are²:

- criterion - types of receivables,
- financial settlement - domestic and foreign receivables,
- terms of payment - short- and long-term receivables,
- rate of remuneration - correct (timely) and overdue (time-barred) receivables,
- title due - receivables due to deliveries, works and services, advance payments, contractual penalties, penal interests etc.,
- debtor - receivables from recipients of products and services, employees, budgetary receivables,
- degree of validity - guaranteed, doubtful, disputed, uncollectible.

Elements of the credit policy in the company consist in determining the conditions to be met by the recipient to be able to make deferred payment³. The organization of the department responsible for management of trade credit depends on the policy adopted by the management⁴.

Receivables management refers to the whole of activities associated with the monitoring of the structure of receivables and their repayment as well as analyzing contractors (assessing their solvency) and specifying own lending capacity.

Granting credit to the contractor may be⁵:

- manipulative in nature, when the deferment of payment results from the period of acceptance and verification of goods by the consignee and sending cash, which usually takes a few days (this form of credit is often treated as equivalent to cash sales),
- commercial (merchant) in nature, when the deferment of payment is longer than it is apparent from handling operations.

Managers are fully aware of the risk of granting trade credits to customers⁶ but they also know that the sale of goods exclusively for cash will not let them stay on the competitive market as these are competitors that force them to offer favorable trade credits to contractors.

The risk resulting from offering trade credit is particularly high in case of small and medium companies. Sometimes one or two contractors that do not comply with the terms of agreement on the payment of receivables may contribute to imbalance or loss of financial liquidity and, consequently, even bankruptcy.

The Problems of the Recovery of Receivables in Poland and Selected European Countries

Nowadays, it appears that the most significant reason for the financial crisis and bankruptcy of companies, apart from an increase in competition, high interest rates, lack of capital, lack of skills and knowledge in business management are, most of all, difficulties with collecting receivables.

¹ Michalski G., *Płynność finansowa w małych i średnich przedsiębiorstwach*, PWN, Warszawa 2005, p.151

² Panfil M., *Zarządzanie należnościami w małym i średnim przedsiębiorstwie*, Polska Agencja Rozwoju Przedsiębiorczości, 2004, p.12

³ Szczepański J., Szyszko L.(ed), *Finanse przedsiębiorstwa*, PWE, Warszawa 2007, p. 448

⁴ Kreczyńska – Gigol K. (ed.), *Aktywne zarządzanie płynnością finansową przedsiębiorstwa*, Difin, Warszawa 2010, s. 113

⁵ Michalski G., *Płynność finansowa w małych i średnich przedsiębiorstwach*, PWN, Warszawa 2005, p.151

⁶ More information: Okręglicka M., *Zarządzanie należnościami w przedsiębiorstwach w dobie kryzysu*, Zeszyty Naukowe Politechniki Rzeszowskiej. Zarządzanie i Marketing, Rzeszów 2010, s.283-291

There is no company on the market where there are no problems with collecting receivables from customers. This largely depends on the economic situation in the specific country, the sector in which the specific company operates, and also business customs.

The collection policy, the level and structure of receivables is primarily dependent on the size and type of production, sales or services occurring in the company. However, the risk resulting from offering credit is more or less the same for each industry, the size or type of the company.

Below, there is presented the analysis of the structure, dynamics and cycle of the collection of receivables of Polish companies based on selected sectors and regions.

The dynamics of receivables and the percentage proportion of receivables in relation to current assets in selected sectors in Poland in years 2011-2014 is presented in Table 1.

Table 1. The structure and dynamics of receivables in selected sectors in Poland in years 2011 -2014

Specification	Structure (%)				Dynamics (%)		
	2011	2012	2013	2014	2012	2013	2014
Industry	44.1	44.9	44.1	44.5	-1.8	0.5	-14.9
Construction	40.5	39.9	40.6	42.5	-9.1	0.8	3.1
Trade	45.2	43.9	35.6	41.7	-1.2	-15.6	19.3

Source: Author's own calculations based on the data from: Bilansowe wyniki podmiotów gospodarczych 2011, GUS, Warszawa 2012; ; Bilansowe wyniki podmiotów gospodarczych 2012, GUS, Warszawa 2013; Bilansowe wyniki podmiotów gospodarczych 2013, GUS, Warszawa 2014; Wyniki finansowe podmiotów gospodarczych I-XII 2014, GUS, Warszawa 2015.

The analysis of the data in Table 1 allows for the conclusion that in the analyzed period, i.e. in years 2011-2014, receivables in industry, on average, amounted to 44.4 % of current assets, in construction – on average, to 40.9 %, and in trade – 41.6 %. In individual Polish sectors, receivables in liquid assets were virtually at similar level. Only in trade, in 2013, there could be noticed the biggest change in the structure of receivables compared to 2012 and 2014, i.e. subsequently, the fall by 8.3 percentage points and the rise by 6.1 percentage points. While analyzing the dynamics of receivables it can be observed that the most significant fall was recorded in trade in 2013, i.e. by 15.6 %, however, in 2014 there was an increase by 19.3 %. On the other hand, in industry, the year of 2014 was characterized by the most significant fall in the dynamics of receivables, where the amount of receivables fell by 14.9 %, compared to 2013. Generally, however, while analyzing the structure and dynamics of receivables of the selected sectors in the analyzed period, it can be assumed that there was no significant change in the amount of receivables.

The cycle of the collection of receivables in the analyzed sectors is presented in Table 2.

Table 2. Receivables turnover (in days) in selected sectors in Poland in years 2011 - 2014

Specification	Receivables turnover (in days)			
	2011	2012	2013	2014
Industry	54	51	52	55
Construction	75	77	86	87
Trade	41	39	32	38

Source: Author's own calculations based on: Bilansowe wyniki podmiotów gospodarczych 2011, GUS, Warszawa 2012; ; Bilansowe wyniki podmiotów gospodarczych 2012, GUS, Warszawa 2013; Bilansowe wyniki podmiotów gospodarczych 2013, GUS, Warszawa 2014; Wyniki finansowe podmiotów gospodarczych I-XII 2014, GUS, Warszawa 2015.

As it becomes clear from the analysis of the data included in Table 2, the largest number of days of sales, for which cash was not received yet, occurs in the construction sector. In years 2011 – 2014 cash was frozen in receivables, on average, for about 81 days. In the analyzed years, year by year, there was an increase in the period of uncollected receivables in this sector, which adversely affects its functioning. In industry, the period of the collection of receivables is significantly better – in this sector, from 2011 to 2014, working capital was frozen in receivables, on average, for 53 days. The trade sector deals with the collection of receivables the most successfully, which significantly results from the specificity of its activity. As it becomes clear from the analysis, in the discussed period, on average, the number of days of sales, for which companies did not receive cash, amounts to 38 days.

While extending the analysis of the amount of receivables and their turnover in Polish companies it can be examined how this aspect is formed by regions.

The dynamics of receivables and the percentage proportion of receivables in relation to current assets in Polish voivodeships is presented in Table 3.

Table 3. The structure and dynamics of receivables by voivodeships in Poland in years 2011 -2013

Specification	Structure (%)			Dynamics (%)	
	2011	2012	2013	2012	2013
Łódź	41.2	40.1	40.9	-0.7	3.1
Masovian	43.0	43.2	43.8	1.0	-3.9
Lesser Poland	47.9	48.1	45.3	0.9	-3.9
Silesian	47.8	47.2	45.7	-4.2	-0.9
Lublin	44.7	38.4	39.3	-12.7	4.5
Podkarpackie	48.6	47.7	47.1	1.4	6.5
Podlachian	48.6	47.6	49.2	2.2	10.9
Świętokrzyskie	42.2	38.6	37.8	-4.8	-4.6
Lubuskie	51.6	46.6	43.3	-17.4	3.1
Greater Poland	43.6	42.7	41.9	-3.5	6.4
West Pomeranian	41.6	39.8	41.6	-2.8	7.3
Lower Silesian	38.4	45.2	45.7	4.9	0.9
Opole	46.3	45.3	44.8	-3.5	2.4
Kuyavian-Pomeranian	43.6	43.1	41.8	-3.4	-2.4
Pomeranian	42,3	40,5	40,5	-1,2	4,2
Varmian-Masurian	51,0	58,9	50,2	39,0	-27,9

Source: Author's own calculations based on: Bilansowe wyniki podmiotów gospodarczych 2011, GUS, Warszawa 2012; : Bilansowe wyniki podmiotów gospodarczych 2012, GUS, Warszawa 2013; Bilansowe wyniki podmiotów gospodarczych 2013, GUS, Warszawa 2014.

As it becomes clear from the analysis of the data included in Table 3, it can be concluded that in years 2011-2013 the largest amount of receivables in current assets was found in the following voivodeships: Varmian-Masurian (on average, 53.4 % of current assets are receivables), Podlachian (on average, 48.5 % of liquid assets are receivables), Podkarpackie (on average, 47.8 % of current assets are receivables). On the other hand, the smallest amount of working capital frozen in receivables is found in Świętokrzyskie Voivodeship, where, in the analyzed period, 39.6 % of liquid assets are receivables, as well as Łódź and Lublin Voivodeships (on average, 40.8 %). While analyzing the dynamics of receivables, the highest positive dynamics in 2012, compared to 2011, was shown by receivables of

companies from Varmian-Masurian Voivodeship, and in 2013, compared to 2012, receivables of companies from Podlachian Voivodeship. On the other hand, the most significant fall in the growth of value of receivables and, consequently, the release of some of funds frozen in receivables occurred in Varmian-Masurian Voivodeship in 2013, compared to 2012 (decrease by 27.9 %), in Lubuskie Voivodeship in 2012, compared to 2011 (by 17.4 %) and in Lublin Voivodeship, also in 2012, compared to 2011 (by 12.7 %).

The cycle of collecting receivables in individual voivodeships in Poland in years 2011 - 2013 is presented in Table 4.

Table 4. Receivables turnover in days by voivodeships in Poland in years 2011 - 2013

Specification	Receivables turnover (in days)		
	2011	2012	2013
Łódź	55	52	51
Masovian	61	59	60
Lesser Poland	53	52	50
Silesian	60	58	59
Lublin	56	47	49
Podkarpackie	54	54	55
Podlachian	55	55	58
Świętokrzyskie	57	54	52
Lubuskie	53	42	40
Greater Poland	49	45	45
West Pomeranian	52	49	51
Lower Silesian	59	59	58
Opole	51	48	49
Kuyavian-Pomeranian	54	51	49
Pomeranian	49	46	49
Varmian-Masurian	66	88	63

Source: Author's own calculations based on: Bilansowe wyniki podmiotów gospodarczych 2011, GUS, Warszawa 2012; : Bilansowe wyniki podmiotów gospodarczych 2012, GUS, Warszawa 2013; Bilansowe wyniki podmiotów gospodarczych 2013, GUS, Warszawa 2014.

As it becomes clear from the analysis of the data included in Table 4, the biggest problem in the analyzed years with the collection of receivables affected entrepreneurs from Varmian-Masurian Voivodeship, where, on average, from 2011 to 2013, funds were frozen in receivables for 72 days. In regard to uncollected receivables, entrepreneurs of Masovian Voivodeship occupied the second position, where working capital was frozen in receivables, on average, for 60 days, and in Silesian and Lower Silesian – on average, for 59 days. Entrepreneurs from Lubuskie, Greater Poland and Pomeranian Voivodeships coped with the collection of receivables much better, where, subsequently, every 45, 47 and 48 days there was released working capital from receivables.

To compare the problem of receivables management of individual states, the Instrum Justitia company (the largest European institution dealing with receivables management) created the most complex index of payment behavior of European countries. This indicator was called European Payment Index.

The score of European Payment Index is based on sub-ratings made on the basis of questionnaires of the Instrum Justitia company. Individual ratings have different units of measurement, therefore, they were converted into common index, where the ideal score is 100 points. This result is purely theoretical since this means that, in the specific country, all receivables are paid completely and in time. On the other hand, the country is recognized as safe if it collects up to 125 points⁷.

The best and worst countries in the field of payment of receivables, on the basis of European Payment Index, are presented in Table 5.

Table 5. European Payment Index of selected countries in years 2011 - 2014

Specification	2011	2012	2013	2014
Finland	126	126	125	126
Norway	133	130	128	126
Sweden	130	129	128	128
Denemark	138	137	135	133
Germany	149	147	144	144
Austria	155	153	149	149
UK	160	161	162	160
Poland	161	164	166	165
Italy	164	164	168	169
Spain	168	170	173	176
Czech Republic	174	174	176	177
Portugal	186	190	190	192
Greece	188	190	195	198

Source: Author's own study based on: European Payment Index 2014, Intrum Justitia

As it becomes clear from the data in Table 5, with respect to payment of receivables, the best among European countries are: Finland (on average - 126 points), Norway (on average - 129 points) and Sweden (on average - 129 points), and the worst are: Portugal (on average - 190 points) and Greece (on average - 193 points). Poland, against the background of European states, also belongs to the countries facing the problem of the recovery of receivables. According to European Payment Index, in years 2011 – 2014, on average, it has 164 points.

Problems of companies with liquidity due to late payments in selected countries in 2013 and 2014 are shown in Table 6.

Table 6. Problems of companies with liquidity due to late payments in selected countries in 2013 and 2014

Specification	2013	2014
	%	
Denmark	54	51
Norway	46	51
Finland	43	44
Sweden	66	64

⁷ Instrum Justitia za: Mielczarek A., *Szalupa na wszelki wypadek*, Manager Magazin 1/9/2006 p.110

Italy	77	76
Spain	80	80
Portugal	82	84
Greece	96	96

Source: Author's own study based on: European Payment Index 2014, Intrum Justitia

Practically, every company, in the event of late payments of receivables, may rapidly lose its financial liquidity. As it becomes clear from the data included in Table 6, the biggest problems with liquidity refers to Greece, where as much as 96 % of entrepreneurs declare lack of liquidity due to uncollected receivables, the second position, related to problems with liquidity, is occupied by Portuguese companies where, on average, 83 % of entrepreneurs in the analyzed period declared problems with liquidity on account of late payments.

Another problem of European companies is lack of funds for investments in innovation due to late payments (see: Table 7).

Table 7. Problems of companies with investments in innovation due to late payments in selected countries in 2013 and 2014

Specification	2013	2014
	%	
Germany	25	30
France	33	33
Austria	34	34
Sweden	30	42
Belgium	38	43
Italy	40	39
Spain	45	45
Poland	57	53

Source: Author's own study based on: European Payment Index 2014, Intrum Justitia

As it becomes clear from the analysis of the data included in Table 7, among the selected European countries, Polish entrepreneurs the most significantly refrain from investing in innovation due to late payments – on average, 55 % of the respondents, and, in the second place, Spanish entrepreneurs – 45 %.

The study concerning the running of business activity, conducted by the Intrum Justitia company, indicates that late payments slow down the European economy. The analyzed companies indicated uncertainty associated with the recovery of payment as the most serious barrier to the development of international trade⁸.

Significant late payments or no payment bring about that companies do not decide on taking up a business activity in another country.

Conclusions

Receivables management is one of the most important aspects in the process of the functioning of the company.

⁸ www.intrum.pl, [accessed 05.07.2015]

Lack of effective policy of recovery of receivables, deterioration in payment discipline and growing needs to use trade credit bring about difficulties connected with cash flow, which, consequently, may lead to a serious financial crisis, and even bankruptcy of the company.

As it becomes clear from the above studies, all European countries, to a greater or lesser extent, face the problems of the recovery of receivables. Finland, from among all European countries, deals with the recovery of receivables the most successfully, Greece, the least successfully. Poland, among the analyzed countries, occupies the middle position.

Economic entities, wishing to meet the competition, cannot lead too strict policy of collecting receivables and demand from contactors the purchase only for cash. Gaining new customers and maintaining the existing ones requires the application of favorable credit conditions from the management. However, entrepreneurs need to remember that the credit policy cannot be too liberal since it may cause the loss of financial liquidity.

To avoid insolvent customers and, consequently, to prevent the financial crisis, the company should expand its previous policy of collecting receivables to observation, analysis and evaluation of its existing and potential contractors. Such an operation strategy will allow the company for the appropriate selection of trade partners and establishment of appropriate credit terms for themselves so as to provide greater financial security.

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