

1 A Study on Supplier Finance Required in Maintaining Active
2 Working Capital Level of Customers: An Example from IDLC
3 Financing Company in Bangladesh

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6 *Received: 8 December 2013 Accepted: 5 January 2014 Published: 15 January 2014*

7

8 **Abstract**

9 Factoring is a simple form of Commercial Finance in which a Small Business which can?
10 qualify for more conventional financing sells its accounts receivable (invoices), representing
11 money due from its business/governmental customers for the sale of its goods and services to
12 a ?Factor? or Factoring company at a discount from face value so that it does not have to
13 wait the normal 30-90 days for its invoices to be paid. In short, Factoring helps a Small
14 Business Speed Up its Cash Flow, thereby enabling it to more readily pay its current
15 obligations and grow. Some people defined factoring as the purchasing of accounts receivable,
16 in the form of invoices, at a discount from their face value. The term ?Factor? has its origin
17 from the Latin word ?facere? meaning to make or do (to get things done). The dictionary
18 defines a Factor as an agent, particularly a mercantile agent. Factoring has a long and
19 fascinating history, which traces back through several centuries. In the early stages, Factors
20 were itinerant merchants who were entrusted with merchandise belonging to others.

21

22 **Index terms**— supplier financing, factoring, supplier loan, customer performance, effective guarantor, active
23 working capital management.

24 **1 Introduction**

25 he growth of factoring, in a fairly recognizable form, took place in the fifteenth and sixteenth centuries, with the
26 advent of the period of exploration and colonization by Great Britain. When the mother countries started shipping
27 goods in ever increasing quantities to the settlements under their control in foreign lands, the Factors arranged for
28 the sale and distribution of these goods and became the local representatives of the manufacturers and merchants
29 from the mother country. Initially, they maintained extensive storage facilities to the merchandise received by
30 them from abroad and made arrangements for the cartage of such merchandise to customers throughout their
31 respective territories; the Factor's principal function then was to sell such merchandise on the best terms. The
32 Factors did not own the merchandise but were responsible for its safekeeping, as well as for the proceeds they
33 received upon its sale. In course of time, the Factors prospered and grew in economic strength. To the earlier
34 services rendered to their foreign principals, they added the practice of making advance payments to their
35 principals against the security of the merchandise in their possession. The Factors also obtained information
36 relating to local customers and assumed the risk of losses (in case they were unable to collect the amounts owing
37 from such customers). Thus, the Factor substituted itself as a debtor of high credit standing for any individual
38 customers of uncertain credit worthiness.

39 During the later years of the nineteenth century and the early years of the present century, the storage, selling
40 and general merchandising functions performed by the Factors were gradually replaced by financing, credit and
41 collection functions which were found to be of greater value by their various clients.

5 PURPOSE OF THE STUDY

42 Around the turn of the last century, factoring was also extended to domestic sales and at the same time
43 the role of Factors in international trade became less important. Those Factors who offered financial services
44 came to be known as 'del credere' Factors. Their services involved advancing money on the security of accounts
45 receivable, collecting the debts, and assuming the credit risk. As the actors shed the role of merchandise agents
46 and took on 'del credere' responsibilities, the relationship between the Factors and the parties with whom they
47 dealt also changed in as much as it was no longer one of principal and agent but one of an independent financial
48 organization offering services to manufacturing concerns which were known as 'clients'.

49 Factors in the U.S.A. have traditionally operated in textile industry and have gradually extended to apparel
50 industry, as also some consumer goods industries. The Factors there rely on their in-depth knowledge of the
51 practices and position of the concerned industries and have been slow to move into new fields. They have also
52 built up, over a period, comprehensive information about credit worthiness, up-to-date financial position, record
53 of dealings, etc., of thousands of sellers/buyers in these industries, which forms the basis for approval of credit
54 limits of various parties. Services rendered by a Factor are tailored to suit the clients' requirements. To some
55 of the clients, the Factors provide only such services as management of sales ledgers, collection of debts and
56 protection against bad debts, without providing any finance.

57 In the absence of any uniform codified law, the term factoring has been defined in various countries in different
58 ways depending on the discretion of legal framework as well as trade usage and convention of the individual
59 country. Many efforts have been made to arrive at a consensus regarding uniform meaning and defining a well
60 laid scope for such a type of service contract.

61 However, the first attempt was made in the USA to define the term 'factoring' in a more organized and
62 systematic manner. The definition given by the US laws is as follows:

63 A continuing arrangement between a factoring concern and the seller of goods or services on open account,
64 pursuant to which the factor performs the following services with respect to the accounts receivable arising from
65 sales of such goods or services: ? Purchases all accounts receivable for immediate cash; ? Maintains the sales
66 ledgers and performs the other book-keeping duties relating to such accounts receivable; ? Collects the accounts
67 receivable; ? Assumes the losses, which may arise from any customer's financial inability to pay (Credit loss) ?
68 Provides further funds on a seasonal and term basis, which are either unsecured or secured, ? Assists in advisory
69 services, marketing surveys, management and production counseling, and data processing services. Westlake
70 (1975, P-1) defined, "Factoring is a device of transforming a nonproductive, inactive asset (i.e. book debts) into
71 a productive asset (i.e. cash) by selling book debts (receivables) to a company that specializes in book debt
72 collection and administration".

73 Kalyanasundaram ??ommittee (1988), in the report submitted to the RBI defines Factoring as the outright
74 purchase of credit approved accounts receivable with the factor assuming bad debt losses"

75 A more descriptive definition of factoring is that it is a financing tool that provides the business with immediate
76 working capital, without creating debt or forcing to give up equity in the company.

77 In another way, Factoring is a process of invoice discounting by which an external Financing/Leasing/Capital
78 market agency purchases all trade debts, offers additional resources to the corporate account and, in turn, takes
79 upon the recovery of trade dues.

80 Factoring is said to be a continuing legal relationship between a financial institution (the Factor) and a business
81 concern (the client) selling goods or providing services to trade customers (the customers) on open account basis
82 whereby the Factor purchases the client's book debts (account receivables) either with or without recourse to the
83 client and in relation thereto controls the credit extended to customers and administers the sales ledgers.

84 Factoring a sort of suppliers' credit is understood by the services an agent renders to its principals by managing
85 the letters sales ledger realizing the book debts of bills receivables against a predetermined commission known
86 as commercial charges. For example, the manufacturer or trader sells the goods directly or through agent and
87 advises the details of the sale to the factor to realize the credits. Thus, the factors responsibility is contractual
88 with the privates of contract with the seller. Depending upon the terms of the contract, the factor may assume
89 risk for nonpayment by the customer also. The need for factor services is felt in view of expending sales by the
90 manufacturer supplier so as to manage the sales realization by minimizing risk for non-realization and without
91 waiting for realization of book debts, thus reducing dependence upon bank credit for working capital requirements.

92 2 II.

93 3 Statement of the Problem

94 How customer's performance influence the supplier finance loan through effective guarantor's to keep their working
95 capital active.

96 4 III.

97 5 Purpose of the Study

98 ? To find out the impact of positive customer performance on active working capital. ? To determine the
99 customer performance level to keep active the working capital. ? To find out the role of effective guarantor in
100 order to minimize credit risk.

102 **6 Literature Review a) Supplier Finance Loan**

103 Supplier finance loan is also known as accounts receivable financing or factoring might be an option for suppliers
104 -depending on their industry and the nature of their business.

105 Accounts receivable financing involves borrowing against your receivables or selling your receivables to a
106 company that will pay you an amount equivalent to the invoice amount due you, less a discount. The amount
107 of the discount varies depending on the size of the transaction, the extent of risk that the financing company
108 (sometimes called a "factor") has to take to collect the amount due, and other matters. You'd get more for an
109 invoice payable by a blue chip company that's due soon versus one that's, say, 90 days past due from a weaker
110 payor.

111 Factoring your accounts receivables means that you actually sell them, as opposed to pledging them as
112 collateral, to a factoring company. The factoring company gives you an advance payment for accounts you
113 would have to wait on for payment. The advance payment is usually 70-90% of the total value of the receivables.
114 After charging a small fee to the company, usually 2-3%, the remaining balance is paid after the full balance is
115 paid to the factor.

116 Factoring is a relatively expensive source of financing, but the cost is lowered because the factoring company
117 takes on all risk of default by the customer. Factoring is important in the retail industry in the U.S. In fact, the
118 garment industry accounts for about 80% of all U.S. factoring, although many small businesses in a huge variety
119 of industries use this form of financing when they need short-term working capital loans.

120 Sometimes, using accounts receivable financing is all that stands between your small business and bankruptcy,
121 particularly during a recession or other types of tough times for your business. Don't hesitate to use it for your
122 working capital needs if you need to. It is not acceptable financing, however, for longer term business financing
123 needs.

124 Need cash? Consider selling your accounts receivable. While approaching a lender is the most common way to
125 raise capital, it's not always the best or most viable solution for a small business. If a bank loan isn't an option
126 for your business, factoring can help.

127 Factoring is the purchase of a business' accounts receivable. Large corporations have long used this method
128 to increase cash and reduce the management of receivables, but it is now becoming a popular option for small
129 businesses, as well, said (Dave Kurrasch), vice president and general manager of Small Business Payments
130 Company, which develops financial solutions for small businesses. (AccountsReceivableFinancing.com).

131 Factoring is an alternative to asset-based lending and provides businesses with capital when they need it. It
132 is particularly appealing for businesses that need cash, but have limited sources of credit, he said. "Factoring
133 is a fantastic method to convert inventory or work product into cash to pay vendors, payrolls, taxes or other
134 obligations. (Businessnewsdaily.com) Moreover, because factoring rids small businesses of receivables, it allows
135 them to reduce or completely eliminate collections. "Managing the working capital conversion cycle is crucial for
136 businesses that produce receivables with long collection terms," (Kurrasch) added. "Factoring is a real option
137 for shortening or eliminating collection times."

138 Factoring has been around at least 500 years, says (Dan Casey). He notes that it involves the: "? Process of
139 selling your rights to collect an invoice.

140 The factor/invoice buyer pays a high percentage of the invoice face value day one. Upon collection, the factor
141 funds the balance of the invoice value less their fees for service. "So with these types of services, you can either
142 borrow against the money you expect to come in soon, or sell the invoice itself at a discount. The net effect in
143 either case is that you get a lot of money a lot sooner.

144 (Robert Zadek), attorney with (Buchalter Nemer), focuses his practice on factoring. "There's no downside,
145 per se. Like any other product or service you buy in the world, you try to get the best service and best product
146 for the lowest cost," (Zadek) said.

147 Factoring offers small businesses an alternative to taking out a bank loan, he said.

148 "If the bank would lend to you, you wouldn't be in factoring. But there are many businesses that don't go to
149 a bank, even if they can. Getting money from a factor is so easy, as long as you're honest with a factor. You
150 don't live in fear of losing your money. There are plenty of factors that can work with you. You're not locked in
151 like you are with a bank," (Zadek) said.

152 **7 b) Benefits of Accounts Receivable Financing**

153 The primary benefit to these financing services is to help small businesses get cash quickly.

154 It's particularly useful for businesses that get paid large invoices by clients that may pay slowly for one reason
155 or another (such as large corporate clients, or when part of a large multi-phase government contract). Yet, in
156 the interim that small business still has a payroll to meet -putting the business in a cash flow bind. Accounts
157 receivable financing can also help free up working capital. Because so many businesses have funds tied up in
158 inventory, getting paid for invoices quickly is paramount. Getting financing takes that worry out of the equation
159 for small businesses. Factoring, where you actually sell the invoice outright and the factor takes over collection,

160 can take away the headache of chasing down payments from clients. That alone can save a small business time
161 and money in the form of internal staff resources dedicated to follow-up and collection.

162 **8 c) Customer Performance**

163 More and more businesses are relying upon suppliers to innovate faster, cheaper, and better than the suppliers
164 of its competitors. But, most firms do not routinely evaluate the need to overhaul relationships or intervene to
165 correct performance problems (Ernst and Bamford 2005). Even fewer firms have an adequate understanding of
166 these reciprocating relationships between the buyer and the supplier. Thus, coordinating with trading partners,
167 negotiating terms, monitoring performance, and switching partners is costly (Liker and

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170 **10 C**

171 Choi 2004, Hagel and Brown 2005). Alternatively, identifying resilient performance for each dyad member can
172 provide new performance prescriptions for each member during the supplier evaluation process. When firms
173 make sourcing decisions, they should take into account both supplier performance and buyer performance in the
174 relationship as a behaving system by considering exchange cost criteria, technology-based information sharing
175 criteria, order fulfillment and quality criteria, and demand planning criteria. Each of these criteria is directly
176 observable and relates to the performance contribution of both the buyer and the supplier. Buyer and supplier
177 performance examination is of consequence because these relationships enable entry into new markets, provide
178 for deeper penetration into current markets for both suppliers and buyers, and reduce the risk of supplier failure.
179 The present study extends traditional models and approaches to supplier evaluation into the dyadic domain. Our
180 context is post performance supplier evaluation. Using DEA with assurance region formulations, we include and
181 then investigate the effects of buyer performance on supplier performance. To do this, the hybrid DEA approach
182 used focuses on the buyer evaluation team's preference weights for a set of supplier performance factors. These
183 preferences are rooted in the priorities set by different functional areas and are brought to the team evaluation
184 by individuals representing these functional areas. The DEA methodology has a rich 30-year history in the
185 supplier evaluation literature that will be discussed later. However, work that addresses supplier evaluation using
186 performance factors representing both the buyer's behaviour and the supplier's behaviour has yet to materialise.
187 It is within this new paradigm shift that several research issues emerge and, in turn, propositions are formed and
188 analysed.

189 The analytical foundation addresses the appropriateness of using a DEA approach and its suitability in the
190 dyadic domain. This study contributes to past DEA studies by extending the traditional model formulations
191 to include factors of buyer performance. Buyer performance can and does affect supplier performance, which
192 cannot be adequately evaluated without that inclusion (Frazier and Summers 1984). The measurement of supplier
193 performance has two dimensions: historical supplier performance and the perception of that performance. The
194 buyer forms a perception of historical supplier performance based on its own performance attributes, its selection
195 of supplier performance attributes to measure and track, and on the preference weights that it places on these
196 attributes. A hybrid DEA model is specified and used to assess the impact on supplier evaluation resulting from
197 the degree of conformity/disparity among weights or priorities that a diverse evaluation team might apply. An
198 evaluation team, based on its composition, might represent either a wide ranging or a narrow set of viewpoints
199 on supplier performance attributes. This can often arise due to each evaluator's place and responsibility in the
200 procurement organisational hierarchy. As a result, differences in preferences and importance weights placed on
201 supplier performance attributes can vary significantly from member to member (Sarkis 2000). Alternatively,
202 team members with similar backgrounds and responsibilities in the buying organisation might be expected to
203 reflect consistent preferences and assign weights with less variability. The benefit of assigning either consistent
204 or diverse preference weights on the supplier performance attributes is not the focus here. Rather, we explore
205 the impact that the level of variability in preference weights has on the perception of supplier performance, how
206 supplier performance scores are affected, and how the model weighted the supplier performance factors. Thus,
207 our propositions are presented next.

208 Recent works emphasised that the buyersupplier dyad is an important key to managing the supply chain.
209 For example, ??Chen and Paulraj (2004) highlighted the importance of dyads and concluded that both supplier
210 performance and buyer performance contribute to overall relationship success. Focusing on both buyer and
211 supplier exemplifies the long-term relational view of inter-organizational competitive advantage (Dyer and Singh
212 1998); and buying firms are advised to take strategic initiatives that nurture relationships to yield long-run
213 mutual benefits ??Hahn et al. 1990, Gadde andHakansson 1994). On the one hand, it is often assumed that
214 good suppliers are agile enough to adapt to the buyer's changes; good suppliers become candidates for additional
215 business because of the supplier's perceived focused commitment. On the other hand, this same agility can drive
216 a supplier away from a volatile buyer, creating the need for the buyer to consider just how good a customer it
217 has been to its suppliers. The dyadic lens emphasises the specific one-to-one performance relationship that the
218 buyer establishes with each of its many suppliers and can provide a starting point for decision makers to develop

219 valuable insights into requisite levels of focused commitment from both partners (Swink and Zsidisin 2006).
220 Therefore, focused commitment should be operationalised from a dyadic perspective of supplier performance.

221 **11 d) Effective Guarantor**

222 Personal guarantees remain a grey area for most SMEs mainstream lenders remain cautious about whom they
223 issue funds to, expressing specific reluctance towards seemingly 'high risk' clients wanting to obtain funding for
224 SMEs, the requirement for directors to personally guarantee loan repayments is on the rise. A recent survey,
225 conducted by personal asset lender borrow, found that directors of SMEs are now just as likely to turn to secured
226 loans for funding as they are an extended overdraft facility or unsecured bank loan. Even

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228 Volume XIV Issue VI Version I Year () C more so, when applying for secured credit, one in ten business owners
229 over the past year used their personal property as security on a loan in order to raise capital for their business
230 and continue trading throughout 2011.

231 A personal guarantee operates as additional pledge of collateral in conjunction with the initial security for the
232 commercial loan. Should the loan go into arrears, the director(s) will make themselves personally liable to repay
233 the debt which may mean their own high valued assets or even their home is at risk if the company defaults.

234 So, under what circumstances may they be required?

235 (Jonathan Newman, Senior Partner at Brightstone Law LLP and Chairman of the AOBP), spoke of the
236 growing need for a personal guarantee. He said: "Lenders take more comfort in issuing commercial loans to
237 businesses if directors personally guarantee the loan. There are many instances where a borrowing company is a
238 single purpose vehicle with no filed accounts or trading history so a personal guarantee is widely considered to
239 be essential in these cases.

240 "For borrowers, there are significant advantages in sitting behind the corporate veil because it protects their
241 individual assets; however, the covenant is more attractive to lenders if directors are willing to stake their own
242 personal assets on the deal."

243 The types of assets provided as a guarantee are often unspecified, as (Jonathan) further explained: "Technically
244 a personal guarantee isn't a charge on the Director's home -although it can end up that way once pursued, and
245 can also attach to any high value personal property."

246 As a result of this vague definition, here lies a significant grey area for the guarantor. If a lender does begin
247 foreclosure proceedings on personal assets and they do not cover the shortfall of the loan's initial security, in
248 some circumstances this could mean that the guarantor's home is at risk of repossession.

249 Furthermore, the FSA offer very little protection to the guarantor in such instances. Stated within the
250 FSA's online information for smaller firms (Mortgage Conduct of Business rules and related matters: Scope of
251 regulation), the Authority provides the following guidelines for firms obtaining commercial funding: "?where an
252 individual customer provides a personal guarantee to a bank covering the liabilities of a limited company, this
253 will not be a regulated mortgage contract. This is true even where the individual's guarantee liability is secured
254 by a first charge over his residential property. This is because we think the bank is not providing credit to an
255 individual. (It may be providing credit to the company, but this doesn't satisfy the definition of a regulated
256 mortgage contract)."

257 And so, the scope of FSA regulatory protection does not extend to those who provide their homes as collateral
258 for a commercial loan. As an unregulated transaction, there is potential for business owners to be hasty in
259 guaranteeing a loan in order to continue trading in tough economic climates -notably, there is no requirement
260 for a 'cooling off period' as with regulated loans. It is therefore vital that the guarantor is fully aware of their
261 contractual obligations to repay the loan on behalf of the firm.

262 (Jonathan) highlighted the importance of the guarantor in understanding the gravity of such commitments:
263 "The impact of personal guarantee is very strong for any director as enforcement may lead to bankruptcy, which
264 is a very serious prospect for an individual with widespread commercial interests undertaking sophisticated
265 borrowing. Often guarantors have more to lose than the debt on the single property transaction. Such persons
266 cannot entertain bankruptcy as this will have a dramatic impact on their wider business dealings, not to mention
267 reputational risk."

268 Yet, this may be considered a worst case scenario as lenders will turn to the principal loan security first and
269 will typically look to the guarantee as a last resort. Lessening the adverse associations, we also spoke to (Hinesh
270 Varsani, Partner at Bellevue Mortlakes Chartered Surveyors), who maintained that personal guarantees are very
271 much commonplace and generally limited to 20 per cent of the debt, reflecting the tensions within the current
272 lending market.

273 (Hinesh) explained: "Personal guarantees are nearly always unsupported and we are unaware of lenders asking
274 for a charge over a director's own home in order to support the guarantee."

275 The guarantor is thus given a degree of freedom in choosing which of their assets may be used to cover the
276 shortfall of the loan security. Moreover, the guarantee will only be acted upon as a last resort, which may only
277 be a small percentage of the entire loan facility. Providing a personal guarantee will give lenders an increased
278 confidence and only in a small number of cases will this guarantee be detrimental to personal finances. Responsible

279 lenders will express due diligence by adequately assessing the individuals personal liability and the ability to repay
280 fully, without this being a significant obstacle should the foreclosure process begin.

281 A personal guarantee, as a supporting assurance to lenders, can often be a huge advantage for small business
282 looking to obtain finance; however, personal guarantees should only be provided subject to extensive and
283 independent legal advice ensuring the individual is fully aware of the implications.

284 13 e) Active Working Capital

285 Working capital structure refers to the elements of WC and it shows which of the possible components is
286 responsible for investment in WC. Working capital structure is encapsulated in the concept of working capital
287 management (WCM), which refers to the

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289 Volume XIV Issue VI Version I Year () C financing, investment and control of the net current assets within the
290 policy guidelines. WC can be regarded as the lifeblood of the business and its effective provision can do much
291 to ensure the success of the business, while its inefficient management or neglect can lead to the downfall of the
292 enterprise.

293 In many countries, empirical studies have indicated that small business managers experience problems in
294 raising capital for the development of their businesses. Different studies (e.g., ??olton, 1971; ??ilson, 1979;
295 ??olmes & Kent, 1991; ??inborg, 2000) have frequently referred to the concept of a financial gap to explain why
296 many small businesses face this type of problem. Access to finance has been identified as a key element for SMEs
297 to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty
298 alleviation in developing countries. Despite their dominant numbers and their importance in job creation, SMEs
299 have traditionally faced difficulty in obtaining formal credit or equity.

300 Working capital is a significant and important issue during financial decision making because it is a part
301 of the investment in total assets that requires an appropriate financing investment (Bhunia, 2010). Generally,
302 working capital (WC) is financed by a combination of long-term and short-term funds. Longterm sources of funds
303 consist of capital (equity from owners) and long-term debt, which only provide for a relatively small portion of
304 the WC requirement (finance theory dictates that only the permanent portion of WC should be supported by
305 long-term financing ??Gitman, 2000)). This portion is the net WC; that is, the excess of the current assets over
306 the current liabilities. On the other hand, the short-term sources of WCF consist of trade credit, short-term
307 loans, bank overdrafts, tax provisions and other current liabilities that can be used to finance temporary WC
308 needs. Sometimes, a WC deficit exists if the current liabilities exceed the current assets. In such a situation,
309 short-term funds are used to also finance part of the non-current assets and the firm is said to be adopting an
310 aggressive WC policy (Bhattacharya, 2001). No doubt, the easy accessibility of finance is an important factor
311 when selecting the source of financing, but its impact on the risks and returns cannot be ignored ??Gitman,
312 2000). Thus, the working capital management policies are guidelines that are helpful to direct businesses; the
313 policies aim to manage the current assets, generally cash and cash equivalents, inventories and debtors, and to
314 manage the short-term financing so that the cash flows and returns are acceptable (Kumar, 2010).

315 The financing preferences of firms are often explained using Myers' (1984) pecking order theory. Although
316 this theory was developed for large, quoted companies, it is equally applicable to small firms. Firms tend to
317 use cash credit as a first choice for financing their WC needs. However, the excessive reliance on the banking
318 system for WCF exerts some pressure on the banks, and a significant portion of their available resources are first
319 channeled to the large firms (Narasimhan & Vijayalakshmi, 1999). Narasimhan and Vijayalakshmi also noted
320 that the long-term sources of funds for WC appear to be dominant in many industries and that cash credit is
321 the next major source for financing WC. Another important dominant source for funding the WC requirement
322 is trade credit. Trade credit is usually called a spontaneous source of finance and is normally available as part
323 of the trade terms. Olomi (2008) reported that medium-sized textile firms with limited access to the long-term
324 capital markets tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance
325 their operations.

326 Working capital is the total of the amounts invested in current assets of the company. Generally, it is assumed
327 that the current liabilities must be met by current assets. Because, maturity date of current assets coincides with
328 maturity date of current liabilities (maximum maturity date is one year). Lack of coincidence between maturity
329 date of current assets and current liabilities leads to liquidity problems of the firms. of course, some of companies
330 may try to secure a part of their current assets through shareholders' rights which is called fixed working capital.
331 Current assets including cash stock, short term investment, claims stock of raw materials and goods, and also
332 current liabilities means accounts and trade bills payable, pre receipts and short term bank credits (Pike and bill,
333 2006: 337). The working capital management from financial managers' point of view is a simple and clear concept
334 ensuring the firm ability to grasp differences between assets and short-term debts (Yaghob nejad, 2010: 118).
335 Therefore, working capital management is one of the most important problems that firms' managers may face it.
336 Working capital management plays an important role for the firms' maintenance and growth. Working capital
337 management refers to financing methods, investment and control of working capital. In other words, working
338 capital management is practical part of financing which includes all current accounts of firm. Working capital

339 management relates to adequacy of current assets and risk resulting from current liabilities (Pike and Bill 2006:
340 338). Working capital management is of particular important due to its impact on risk, returns and shareholders'
341 wealth. Companies by using various strategies related to working capital management can affect the amount of
342 firm's liquidity. These strategies determine their risk level and returns ??Nikoomaram etal, 2004: 8). In other
343 words, firms by using efficient working capital management can facilitate access to different objectives.

344 Working capital management is an issue in which finance research is scarce. One possible reason behind this
345 fact might relate to the relative ease with which efficient financial markets correct deviations from

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348 optimal working capital policies. However, in less efficient financial markets, pervasive among emerging
349 economies, working capital management is critical for both firms ' performance and survival. The difference
350 in the market's ability for providing immediate assistance to firms might explain the differential consequences on
351 firms' profitability and financial distress. This article explains the fundamentals of working capital management,
352 the importance of its interaction with financial markets, and how this interaction might explain working capital
353 patterns around the world. f) Relationship between Supplier Finance Loan and Active Working Capital

354 Factoring and commercial financing make the most sense for companies needing an infusion of working capital
355 to produce a steady increase in sales and profit. However, factoring and commercial financing can also give
356 companies that are losing money time to achieve a turnaround. An asset financer can ride a downhill course
357 longer than an unsecured lender and is less reluctant to intervene in such situations; of course, the financer must
358 have confidence in the management and the recovery plan. This assumption of additional risk is, in my opinion,
359 of significant value to the economy because without it many companies, now revitalized, would never brave had
360 a second chance.

361 A basic rule in selecting a factoring and commercial finance source is the same as for selecting an unsecured
362 financing source: know your lender. Since many of the nation's most respected financial institutions are now
363 engaged in secured financing, taking such an approach is not difficult. And banks without their own secured
364 lending departments or affiliates are likely to be able to recommend sources. The larger factoring and commercial
365 finance companies that remain independent of banks usually have strong national reputations. In dealing with
366 smaller independents, many of which serve regional markets, the borrower will find that most of them will
367 provide references and welcome the opportunity to show how they operate. In negotiating the loan, obtaining
368 the services of an attorney familiar with commercial finance contracts is advisable. A number of conditions are
369 usually involved that are very different from those associated with a promissory note. These special conditions
370 include how the prime rate is to be determined (since interest typically is stated as a percentage above prime),
371 the method of interest charges and collection credits, and the termination clause, which is necessarily different
372 for a revolving loan than ft) are a term loan. Inflation is encouraging more businesses than ever before to seek
373 commercial financing. In the past ten years, many businesses have doubled their sales because of inflation alone
374 and have had no corresponding increase in their working capital or borrowing base. In addition, commercial
375 finance has emerged as a key source of funds for acquisitions and buy-outs. It has helped fill the gap created
376 by a weak market for new equity issues. Most of today's acquisitions are for cash, not stock. Secured financing
377 packages can enable the buyer to borrow on the target company's assets to provide key leverage for meeting the
378 purchase price. Also, the revolving portion of such loans can serve as a substitute for capital, making possible
379 a higher return on investment. Thus it seems clear that the need for specialized lenders is increasing. They can
380 look at more than just the financial statements to help smaller companies uncover ways of obtaining working
381 capital.

382 There is one key component to all business, and that is liquidity, or cash flow. Businesses need cash to operate
383 as well as to generate additional business. Not all businesses have revolving lines of credit from banks to tap if
384 needed. In fact, companies can have a significant amount of accounts receivables from customers, but fall short
385 in the interim on cash liquidity. One very effective solution for companies in a situation like this is factoring.
386 Factoring is a financial transaction whereby a business sells its accounts receivable (i.e., invoices) to a third
387 party (called a factor) at a discount in exchange for immediate money with which to finance continued business.
388 Factoring differs from a bank loan in three main ways. First, the emphasis is on the value of the receivables
389 (essentially a financial asset), not the form's creditworthiness. Secondly, factoring is not a loan; it is the purchase
390 of a financial asset (the receivables). Finally, a bank loan involves two parties whereas factoring involves three.
391 "When a business person conducts an analysis on whether to raise equity or monetize their debt, they have to
392 weigh what is more costly, and whether they want to give up part of their company, and that's where we see
393 factoring as being very fitting," said James Connor, cofounder & CEO of Acrecent Financial Corp. Acrecent is
394 a privately held financial services company engaged in the financing and leasing of commercial equipment and
395 factoring of commercial accounts receivable in Puerto Rico and the Caribbean. The company was established
396 in July 2(X)3 by Connor and Raúl Cacho, two highly experienced executives from the commercial leasing and
397 lending industries. "Most companies have accounts receivables on their balance sheet, but many, particularly
398 small and midsize companies have no access, or limited access, to working capital facilities or banks, meaning
399 revolving lines of credit. That's where factoring helps a lot because you can monetize receivables," Connor
400 said. "We have customers, who have millions of dollars in receivables, and for reasons other than Business, for

401 example, someone who may have had poor credit and the banks don't want to lend to him or her, the only option
402 is factoring," Connor said. "In a situation like that, the financial condition of a company is seldom important;
403 what's really important is the quality of the receivables. In most cases, if a company has a poor

404 16 Global Journal of Management and Business Research

405 Volume XIV Issue VI Version I Year () C financial situation, the owner is not financially strong, or may have a
406 weakened credit history, factoring works." g) Relationship between Customer Performance and Active Working
407 Capital Suppliers who have customers with better capital market information quality to make better capacity
408 and inventory management decisions, which in turn will manifest in better performance. Specifically, following
409 Pataoutkas (2012), supplier's performance is measured using the DuPont profitability framework wherein the
410 return on assets is decomposed into asset turnover and profit margin ratios. Overall, we hypothesize that the
411 customers' capital market information quality is positively associated with the suppliers' return on assets and its
412 components-asset turnover and profit margin ratios. We consider a sample of publicly listed supplier firms in the
413 United States that provide the names of their major customers. The sample consists of 20,411 supplier firm-year
414 observations spanning from 1994 to 2008, and represents 4818 firms.

415 Consistent with the hypothesis, we find that suppliers' operating performance as measured by return on assets,
416 asset turnover, property, plant and equipment turnover, inventory turnover, profit margin, and gross margin are
417 all positively associated with customers' capital market information quality score, after controlling for supplier
418 and customer characteristics that have been shown to be associated with suppliers' operating performance in prior
419 studies (e.g., see Pataoutkas 2012). We find that this positive relation between suppliers' operating performance
420 and customers' capital market information quality is more pronounced for suppliers that are likely to benefit
421 more from customers' improved information quality.

422 Specifically, the results are stronger for suppliers with high sales volatility, zero-order backlog, customers that
423 are less dependent on them, and shorter business relation with the customers. In addition, we find that suppliers'
424 operating performance is positively associated with the information content of their customers' information
425 events, including management forecasts, analyst forecasts, and earnings announcements and the sensitivity of the
426 suppliers' market reaction to the customers' information events. Finally, to provide confidence on the direction
427 of the information flow from customers to suppliers, we find that the accuracy of the suppliers' management
428 forecast issued after their customers' management forecast is positively related to the accuracy and occurrence of
429 the customers' management forecast. Collectively, these results demonstrate that the customers' capital market
430 information quality has spillover effects in the input market.

431 Whether you're a distributor or screen printer, adequate cash flow is the heartbeat of your business. Without
432 it, the life-blood of an organization ceases circulating, and fatal cardiac arrest can ensue. Unfortunately, your
433 required cash stream may, at some point, dilute to a trickle, or simply not be robust enough to help fuel the
434 growth you desire. Sure, options exist: Bank loans, borrowing from family and securing private equity are all
435 examples. Still, these traditional avenues may sometimes be inaccessible. Even if they are available, they may
436 not provide the necessary green as quickly as your company needs it. Fortunately, there is an alternative. It is
437 called invoice factoring, and its advantages include getting cash into your coffers expediently. Put simply, invoice
438 factoring involves your business selling accounts receivables to a factoring company for cash. "With factoring,
439 your receivables become real assets," says Mike Bartels, vice president of Riviera Finance, a factoring provider.
440 In an invoicefactoring transaction, a factoring company pays you an advance of, typically, 75% to 80% of the
441 value of the receivables. Then, the firm buying your invoices seeks to collect the full payment on the receivables
442 from your customers. Once payment is obtained, the factoring company pays you the remaining percentage of
443 the receivables you sold them, minus a fee that generally falls\between 2% and 4% -and, as may be the case,
444 interest on the cash advance. Proponents of factoring note that this financing option can typically get working
445 capital to companies quicker than bank loans. "We generally can help within a handful of days, usually within
446 the week," says Robert Cable, a Georgia-based principal with Liquid Capital, a factoring company. Beyond
447 providing fast cash, factoring has other advantages that appeal to business owners. "It's off the balance sheet,"
448 says Cable. "There is no debt incurred." Factoring can potentially work for a range of companies. They include
449 plucky start-ups that need cash to grow, successful established firms that have surpassed their bank line but need
450 more capital to fuel greater revenue rises, and companies with a less-than-stellar financial history that may not
451 be able to secure financing from a bank. Within the imprinted apparel industry, factoring can have applications.
452 Perhaps you're a small distributorship with a few big clients on payment terms; the cash from those clients isn't
453 immediately forthcoming and you need money quickly. Factoring may be a viable option. Still, you don't have to
454 be in duress to factor. Perhaps you are a screen printer who wants to free up cash to invest in a new automatic
455 press. Factoring can possibly help. "Sometimes," says Bartels, "you just need the cash flow factoring provides
456 to grow your business." Nonetheless, factoring experts point out that it's pivotal to understand the difference
457 between recourse factoring and non-recourse factoring. In the latter, the factoring company assumes the risk; if
458 your customer doesn't pay, the factoring firm eats the loss. In recourse factoring, you are responsible for buying
459 back invoices that aren't paid by your customers after a pre-determined period of time. So, while rates may be
460 lower in recourse factoring, there is less of a risk with non-recourse. -(Christopher Ruvo)

461 If the factoring customer pays all the charges and interests on right time and keep a healthy communication
462 with the financial institute then the working capital will be active by getting further factoring facilities.

463 17 h) Relationship between Effective Guarantor and Active

464 Working Capital

465 It is a prudent credit manager that attempts to obtain personal guarantees from the principals of an
466 incorporated entity to which credit is being extended. In today's volatile marketplace, the existence of a
467 personal guarantee may provide the only viable basis of collecting outstanding receivables from a corporate
468 obligor experiencing financial difficulty. However, in the final analysis, the effectiveness of a personal guarantee
469 is directly dependent upon the financial capability of the guarantor.

470 Guarantees can be classified as being both guarantees of payment or collection, and the distinction is important
471 to recognize. A guarantee of payment is a far more effective tool, as it allows a creditor to proceed directly against
472 the guarantor without the necessity of taking any action against the primary obligor. Conversely, in the case
473 of a guarantee of collection, a creditor must first proceed directly against the primary obligor -and only if the
474 debt cannot be collected after the exercise of due diligence can collection commence against the guarantor. Most
475 jurisdictions have defined due diligence as the commencement of legal proceedings against the corporate guarantor
476 -and the result being the obtainment of an uncollectible money judgment. Therefore, when drafting a personal
477 guarantee, a creditor should specify that the guarantee is one of payment.

478 A personal guarantee creates a greater potential source of recovery for the collection of outstanding receivables.
479 The guarantee, as an effective tool of collection, can be maximized when proper attention in drafting, execution
480 and monitoring is exercised. The credit manager who is able to obtain personal guarantees from the principals
481 of his incorporated customers has established a greater security and financial advantage in the protection and
482 minimization of future debt liability.

483 Firms require short-term assets or liabilities in order to facilitate production and sales. Those working capital
484 requirements are often incorporated in macroeconomic models designed to study the impact of monetary or fiscal
485 shocks.¹ they are important for the propagation of those shocks since they abet the marginal cost of funds faced
486 by some set of agents in the economy. If firms require working capital in order to acquire variable inputs, a change
487 in the cost of funds faced by firms translates into immediate changes in macroeconomic activity. ² This article
488 investigates the cyclical properties of the three main components of working capital-inventories (raw materials,
489 work-inprocess, and finished goods), cash and short-term investments, and trade credit-aggregated across all
490 firms and with special attention to their correlations across time with output. The key objective is to obtain
491 stylized facts. While theory informs what kind of facts are worth examining, the uncovering of stylized facts also
492 serves as an input for the development of new theories.

493 The discussion above provides a couple of examples of existing theoretical models that motivate the exploration
494 that follows, but the results stand on their own as useful. If the guarantors are strong enough to play an important
495 role in the agreement of borrowing, then it's become quite easy to get the factoring facility and keep the working
496 capital active.

497 18 V.

498 The Conceptual Framework VI.

499 19 Questions

500 VII.

501 20 Hypothesis

502 Hypothesis-1: Ho1: There is no relationship between supplier loan and active working capital.

503 Ha1: There is a relationship between supplier loan and active working capital.

504 21 Hypothesis -2:

505 Ho2: There is no relationship between customer performance and active working capital.

506 Ha2: There is a relationship between customer performance and active working capital. Q3: Why Effective
507 Guarantor is so important for Active Working Capital.

508 Ha3: There is a relationship between effective guarantor and active working capital.

509 22 VIII.

510 23 The Research Design

511 Research can be designed in eight (8) categories. These are described below:

512 a) The Method of Data Collection In Monitoring, researcher observes the activity of the participants. It is a
513 one way method. But my data collection is 'Communication' where I asked many questions to my participants
514 and they choose the best statement form their own. As a researcher, I have limited control over the participants
515 to change their opinion; which is one of the most important characteristics for the data collection method of
516 communication.

517 24 b) Researcher Control of variables

518 In Experiment, researcher can control the variables. But in Ex Post Facto Design, they can't. They can report
519 only what ever happened. I also can manipulate the variables. In my research, the dependent variable likes
520 Active Working Capital can be changed by me. So my research could be stated as Experiment.

521 25 c) Degree of Research Question Crystallization

522 Between Exploratory Studies and Formal Study, my research design could be categorized as Formal Study. This
523 is because the purpose of my research is not to develop any hypothesis or question for the further future research.
524 The goal of my research is to test the answer the research questions.

525 26 d) The Purpose of Study

526 The purpose of the study could be categorized as Descriptive. I am researching on the supplier finance loan
527 users by dividing them into few demographic sections to determine who more motivated based on some specific
528 criterion.

529 27 e) Participants' Perceptual Awareness

530 In my research participants are aware of my presence. Before conducting survey, I have explained my identity
531 and the purpose of the research. Among the three perceptions, most appropriate is 'Participants perceive no
532 deviation from everyday routine'.

533 f) The Time Dimension Time dimension could be categorized as Cross-Sectional Studies and Longitudinal
534 Studies. Cross-Sectional Studies are carried out once and represented a snapshot of one point in time which is
535 very much similar for my research. I will carry out my survey once. That's why the time dimension should be
536 Cross-Sectional Studies for my research.

537 28 g) The Topical Scope

538 Case Study place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations.
539 But the topical scope for our research is statistical study because it is designed for breadth rather than depth. I
540 attempt to capture a population's characteristics by making inferences from a sample's characteristics.

541 h) The Research Environment Among Field Setting, Laboratory Research and Stimulation, my research
542 environment was specified as Field Settings. This is because; I will conduct the survey within an original
543 environment where more existing customers are available.

544 29 i) Sampling

545 Sampling refers to the act of selecting a specific number of entries from a large set of data for further
546 analysis. Business research often generates vast quantities of data, especially in market-focused research such as
547 demographics.

548 30 i. Sample unit

549 The first and foremost question I have been asked that whom should I to survey. To work on this category, I have
550 to know about the demographic information. I have done some categorization based on which I have decided my
551 sample unit. I will do my survey on supplier finance loan's importance using existing customers.

552 Age: My target customers might be in the age group of 20-70 or above, they will be existing customers of
553 IDLC Supplier Finance Loan.

554 Income: My target customers would be young, middle aged or aged people. Therefore their estimated income
555 will be 30,000 to 100,000 tk. or above.

556 Gender: My target sample unit is male or female consumers that mean young, middle aged or aged corporate
557 peoples.

558 Location: The respondents are only from Dhaka city. Sample Size: To conduct this research, I chose a number
559 of existing IDLC Supplier finance Customers to whom I did questionnaire survey. As I didn't have that much
560 budget, resource and time, I could effectively do my study with fifty (50) customers.

561 Procedure: Sample procedure is a very important issue of sampling and data collection. By sample procedure,
562 I decided my sample unit and size and how I should choose them. In this case, I have applied the probability
563 sample procedure. Here, I used my Simple Random sample so that every existing customer has a known and
564 equal chance of selection.

565 31 j) Instruments

566 A questionnaire was designed for data collection for each of the 4 variables. There are 16 questions excluding
567 demographic in total for measuring all the variables. Each variable is measured by 4 questions.

568 **32 Global Journal of Management and Business Research**
569 Volume XIV Issue VI Version I Year () C A 5 point likert scale was used in the questionnaire and was distributed
570 to the customers of a Financial Company called IDLC Bangladesh..
571 In "Appendix B" a sample question is been given.

572 **33 IX.**

573 **34 Data Collection**

574 There are two types of data collection:

575 ? Primary Data: Primary data is collected firsthand through experiments, surveys, questionnaires, focus
576 groups, interviews and taking measurements.

577 ? Secondary Data: Secondary data is readily available and is available to the public through publications,
578 journals and newspapers.

579 In the context of Bangladeshi people, as researchers I used primary data to examine the research problem and
580 verify hypothesis. The questionnaire was distributed among 50 respondents from IDLC Supplier Finance loan's
581 existing customers. Before giving the questionnaire, the purpose of the study and questions were explained to
582 the respondents so they can easily fill the questionnaire with relevant responses.

583 **35 X.**

584 **36 Data Analysis**

585 **37 b) Reliability Analysis**

586 The Reliability testing is done through the Cronbach's Alpha; greater value of Cronbach's Alpha indicates more
587 reliability on the items that used in a range of 0 to 1. For this research SPSS version 17 was being used as the
588 statistical data analysis tool as it offers greater flexibility in data analysis and visualization.

589 Nunnally (1970) suggested that there are at least four methods of estimating reliability coefficient. One of
590 them is internal consistency. The assumption of internal consistency is that a good scale is comprised of items
591 that are homogenous. Hence, methods concerning internal consistency measure inter-item correlation. A scale
592 is considered to have high internal consistency when its items are highly inter correlated for this suggests that
593 the items are all measuring the same thing (DeVelis, 1991). The most highly recommended measure of internal
594 consistency provided by coefficient alpha () or Cronbach's alpha (1951) as it provides a good reliability estimate
595 in most situations. The value of ? range from 0 to 1. The higher the proximity of the value of ? to 1, the better
596 the reliability. If the value is low, either there are too few items or there is very little commonality among the
597 items (Churchill, 1979). For the early stages of any research, Nunnally (1978) suggested that the reliability of
598 0.50-0.60 is sufficient, although a coefficient of 0.70 or above is desirable. Calculated Cronbach's Alpha is given
599 below for all the variables with the help of SPSS-17:

600 In this study, the coefficient alphas for the different constructs were computed using the reliability procedure in
601 SPSS. The Cronbach's Alpha of a variable determine the internal consistency among the items used to measure
602 the variables.

603 The reliability coefficient of the variable supplier loan has resulted in a Cronbach Alpha 0.751 (given in
604 Appendix Table-16 under reliability analysis), which is very high and very desirable. So, supplier loan is defined
605 75.1% by the 4 questions under it.

606 The reliability coefficient of the variable customer performance has resulted in a Cronbach Alpha 0.872 (given in
607 Appendix Table-17 under reliability analysis), which is very high and very desirable. So, customer performance
608 is defined 87.2% by the 4 questions under it.

609 The reliability coefficient of the variable effective guarantor has resulted in a Cronbach Alpha 0.636 (given in
610 Appendix Table-18 under reliability analysis), which is well enough to accept the result.

611 The reliability coefficient of the variable active working capital has resulted in a Cronbach Alpha 0.778 (given in
612 Appendix Table-19 under reliability analysis), the value is sufficient. So, active working capital is defined
613 77.8% by the 4 questions under it.

614 **38 XI.**

615 **39 Hypothesis Testing a) Spearman's Correlation**

616 In Appendix Table-20, $?=0.625$ and $?=0.01<0.05$

617 It is clear from the table that, the value of rho is not equal to zero and the value of alpha is less than 0.05. In
618 this condition, alternative hypothesis (H_a) should be accepted. That mean, there is a relationship between Active
619 Working Capital and Supplier Loan. Two stars (**) specifies that the relationship between the variables is 99%
620 true. The value of P is less than 0.05. In this condition, null hypothesis (H_0) should be rejected. That mean,
621 there is a relationship between Active Working Capital and Supplier Loan. Two stars (**) specifies 99%strong
622 relationship between the variables.

623 In Appendix Table-24, $r =0.764$ and Probability, $?=.001<.05$

624 The value of P is less than 0.05. In this condition, null hypothesis (H0) should be rejected. That mean, there
625 is a relationship between Active Working Capital and Customer Performance. Two stars (**) specifies 99%strong
626 relationship between the two variables.

627 In AppendixTable-25, $r=0.673$ and Probability, $?=.001<.05$

628 The value of P is less than 0.05. In this condition, null hypothesis (H0) should be rejected. That mean, there
629 is a relationship between Active Working Capital and Effective Guarantor. Two stars (**) specifies 99%strong
630 relationship between the variables.

631 **40 b) Regression analysis**

632 Appendix Table-26 shows that R Square value =0.675 so dependent variable (Active Working Capital) can be
633 explained 67.5% by independent variable (Supplier Loan, Customer Performance and Effective Guarantor).

634 **41 XII.**

635 **42 Limitations of the Report**

636 The main problem faced in preparing the report was the inadequacy and lack of availability of required data.
637 This report is an overall view of Factoring Operations of IDLC Finance Limited SME Division and its Importance
638 from customer's perspective. There were some limitations for preparing this report. These barriers, which hinder
639 my work, are as follows:

640 ? Difficulty in accessing latest data of internal operations. ? Non-availability of some preceding and latest
641 data.

642 ? Some information was withheld to retain the confidentiality of the institution. ? I was placed to this
643 department for only 3 months of time and working like a regular employee hindered the opportunity to put the
644 better effort for the study. ? The personnel of the institution are usually busy with their daily activities and
645 routine tasks; therefore interacting with them during their office hours was difficult sometimes. Although most
646 if the officers were very helpful and friendly but as because they have been busy with their works, they could not
647 give much time to light up my knowledge about the institution's activities. ? Lack of paper books, journals and
648 articles sometimes created limitations for me to understand different terms and conditions. ? The policies and
649 manuals of IDLC Finance Limited are of confidential in nature and thus it is difficult to collect the necessary
650 literature and documents within this short time. With all of this limitation I tried my best to make this report
651 as best as possible. So readers are requested to consider these limitations while reading and justifying any part
652 of my study.

653 **43 XIII.**

654 **44 Significance of the Study**

655 My study focuses on exactly how to keep working capital active through supplier finance loan, customer
656 performance and effective guarantor. As I did this research, a lot of learning occurs regarding factoring, learning
657 that does not happen during traditional coursework. Through this study business organization will have an
658 idea about the impact of factoring on their working capital. Moreover they will also have knowledge about
659 the relationship between financial institutes and business organizations. Additionally they will know about the
660 applicability of factoring, bill discounting, receivable financing and supplier financing in Bangladesh as a short
661 term loan to keep the working capital active. 2. The Supplier Finance Loan amount provided by IDLC is enough
662 for a supplier. 3. IDLC charges a fair interest and service rate against the loan. 4. IDLC gives their customers
663 enough time to pay all their dues. 7. Customers must pay all the dues against the Supplier Finance Loan in case
664 of buyers default. 11. Customer should chose guarantors who will be able to perform all terms and conditions
665 given by IDLC Finance. 12. Guarantors must pay all the dues against the Supplier Finance Loan in case of both
666 the buyer and supplier default. 1 2 3 4 5

667 **45 Global**

668 Active Working Capital 13. Are you happy with the amount of Supplier Finance Loan IDLC provide against the
669 application? 1 2 3 4 5

670 14. Are you interested in doing farther business with IDLC Finance to keep your working capital active? ¹

671 2

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Figure 1: Hypothesis - 3



Figure 2: C

Appendix Table-14: In the Cross Tabulation section shows the frequency of income per month in the possession groups mentioned above. In the income group 30,000-40,000, there are 6Proprietors, 2 Directors and 2 Partners. 15 Proprietors, 1 Chairman, 9 Managing Directors, 5 Directors and 7 Partner from the income group 41,000-50,000 tk. In the income group of 51,000-60,000 tk. there are only 2 managing directors and no Proprietor or Partner. Only 1 Managing Director from the income group of 61,000-70,000 tk.

Appendix Table-15: In the Cross Tabulation section shows the frequency of Business Status in the Possession groups mentioned above. There are 21Proprietors from Proprietorship Concern.1 Chairman, 12 Managing Directors and7Directors from Pvt. Ltd. From Partnership Concern there are 9 partners.

Figure 3:

Year

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b) Pearson's Correlation

In Appendix Table-23, $r=0.689$ and Probability, $?=.001 < .05$

[Note: C]

Figure 4:

1
Strongly Agree

2 3 4 5
Agree Neutral Disagree Strongly
Disagree

Year

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2 3

4 5

[Note: A C 2014 © 2014 Global Journals Inc. (US) 1]

Figure 5:

672 Appendix Table-1: Under Descriptive Analysis, individual criteria of participants have been analyzed to bring
673 about the result in order of their percentages. The survey has been conducted on 50 existing clients of IDLC
674 Supplier Finance, who are enjoying factoring facility for more than one year. The survey results show that,
675 46clients were male where only 4clients were female. If the result is converted to percentage than 92% of the
676 participants were male and 8% were females.

677 Appendix Table-2: The data in Table ?? shows that, 20% of the customer belonged to the age group 31-40
678 years. 8% of the participants were of age in the range of 51-60 years. The rest and biggest size of the participants
679 were from the age group of 41-50 years which is 72% of the whole.

680 Appendix Table-3: Very large portion of the participants participated in this survey falls under the income
681 group of 41,000 to 50,000 tk. which is 74%. Only 2%participants out of 50 clients have an income of 61,000 to
682 70,000 tk. Another 20% participant's earn 30,000 to 40,000 tk. monthly. Rest 4% earns 51,000 to 60,000 tk.
683 shows the frequency of male/female in the income groups mentioned above. In the income group 30,000-40,000,
684 there are 6 males but 4 females. 37 males and no females belong to the income group 41,000-50,000 tk. 2 male
685 and no female are from income group of 51,000-60,000 tk. Only 1 male was from income group of 61,000-70,000
686 tk.

.1 Appendix

687 Appendix Table-8: In the Cross Tabulation section shows the frequency of male/female in the business status
688 mentioned above. In Proprietorship concern, there are 21 males but no females. 18 males and 2 females belong
689 to Pvt. Ltd. Company. And only 7 male and 2 female are from Partnership concern. Appendix Table-9: In the
690 Cross Tabulation section shows the frequency of male/female in the possession mentioned above. In proprietorship
691 concern, there are 21 males but no females were as Proprietor. 1 male and no female as Chairman, 12 male and
692 no female as Managing Director and 5 males and 2 females as Director were from Pvt. Ltd. Company. Only 7
693 male and 2 female were as Partners from different partnership concern.

694 Appendix Table-10: In the Cross Tabulation section shows the frequency of age in the income groups mentioned
695 above. 4In the income group 30,000-40,000 tk. there are 8 persons who fall under the age of 31-40 years, 2 persons
696 under 41-50 years. In the income group 41,000-50,000 tk. there are 2 persons who falls under the age of 31-40
697 years, 32 persons under 41-50 years, 3 persons under 51-60 years. In the income group 51,000-60,000 tk. there
698 are 2 persons under 41-50 years. In the income group 61,000-70,000 tk. only 1 person under 51-60 years.

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