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### **The impact of innovative technologies on enhancing receivables management efficiency in small and medium enterprises**

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#### **Abstract**

This study focused on receivables management and how SMEs to use innovative technologies to overcome their due payments. The use of innovative technologies should on the one hand make it easier for SMEs and on the other hand enable them to conduct their operations successfully. Finally it decreases additional cost and loss connected with enforcing receivables when defaulting debts occurs. In order to achieve accounts receivable management, businesses often discuss the terms of the payment procedures and conduct them in mutual contracts. Though it involves a considerably more complicated range of procedures, accounts receivable management itself may not be viewed as a straightforward fund collection. Every business needs to create a specific collection strategy that takes into account a variety of aspects and strategies to assist the business make the right decisions and take the necessary actions to meet its goals. This study aims to provide a broad distinction between SMEs that are following old policies and SMEs that are using modern innovative technologies and see how the efficiency of an SMEs affected. This study seeks to discuss a technology that attempts to help an SMEs overcome their receivables related problems.

**Keywords:** Receivable management, innovative technologies, digitalisation, SMEs

#### **Introduction**

Small and medium enterprises have gained prominence in the Indian economy as significant and dynamic drivers of overall economic performance. In addition to greatly advancing India's socio-economic development, SMEs have fostered an entrepreneurial and innovative business culture. In order to meet the needs of both local and international market, they provide a wide range of goods and services. SMEs units have evolved into the main support system for larger companies, acting as ancillary business to them. Small and Medium enterprises (SMEs) have become more important in both the development of rural and under developed area as well as in creating substantial employment prospectus at a far lower capital cost than large business. One type of asset that is shown on a balance sheet is a receivable which is produced by the business sales activity. Legally binding request for payment are known as receivables. Even if invoices are used payment are made by customers with in predetermined window of time rather than directly to the vendors. Despite the seemingly straight forward nature of receivables management, depending on our organisation, it may turn into an extremely laborious chore. The accounting software we use to manage our receivable must adapt to the norms requirements of our organisations it grows because as our firms expands, our operations evolve and become more complex. These days professionals and technocrats account for a sizeable portion SMEs in addition to skilled labour, with a major portion being - first generation entrepreneurs. They alter the workplace atmosphere and culture against the backdrop of communication and information technology. The backbone of the Indian economy are micro, small and medium enterprises which account for 35% of gross value added (GVA) and 30% of the country's GDP. But the effect that late payments to SMEs have on their operational cycles is what really has to be understood. Support from the financial sector is necessary for SMEs to grow and be able to satisfy working capital needs. A strong digital ecosystem that fills the gap is required to address the problems with delayed payments.

To mitigate and address the issue of delayed payments, digital solutions bringing together government, corporations, finance enablers including credit bureaus and fintech are essential. If there was any significant problem for the successful operations of SMEs, it was the timely receipt of income by the industries from the sale of their products which were negatively impacting the entire process of SMEs; some of the challenges that SMEs were facing due to adoption of old method are as follows.

1. Manual data entry, validations and three-way matching.
2. Long process cycles time.
3. Lack of application programming interface to retrieve data.
4. Ineffective data integration.
5. Rigid and monolithic architecture.
6. Lack of visibility and control in process.
7. Difficulty in tracking incomplete applications and generating reports.
8. Manual tracking of engineering drawings and transmittals.

The problems identified above were due to the adoption of old methods, the impact of some of the problems on SMEs not getting their payments on time are as follows.

- Higher DSO and impact of cash flows.
- Time consuming credit approvals.
- Increase in write offs.
- Increase in administrative cost in entire revenue cycle
- High customer dissatisfaction.

In the research done so far on SMEs if any topic has been discussed the most, it has been on their payment related issues, which has been given birth to various technology products for the current technologists to overcome these problems. Overtime the environment of accounts receivable has changed significantly especially with the introduction of automation technologies. Although there are benefits to using old methods contemporary automation has many advantages that can significantly increase accuracy and efficiency.

**Below, we compare the two approaches to highlight their differences**

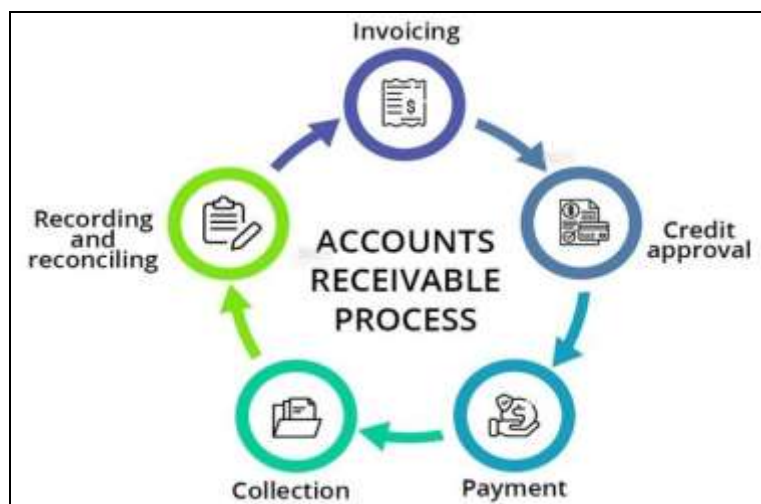
**Table 1:** Differences between traditional accounting receivables and modern accounting receivables across various features

Features	Traditional Accounting Receivables	Modern Accounting Receivables
Invoicing	Manual generation and dispatch of invoices.	Automated invoicing systems that send out invoices instantly.
Collections	Manual follow-ups and tracking of overdue accounts.	Automated dunning and past-due tracking systems.
Payment Processing	Manual entry, prone to errors.	Automated payment gateways and processing.
Record-keeping	Physical files or basic digital records.	Cloud-based, real-time record-keeping.
Cash Reconciliation	Time consuming manual reconciliation	Automated reconciliation with real time updates
Scalability	Difficult to scale without increasing manpower	Easily scalable with minimal incremental effort
Error handling	Manual detection and correction, non-compliance	Automated error detection and lower error rates.
Compliance and security	Manual updates, higher risk of non-compliance.	Automated compliance updates, enhanced security features.
Reporting and Analytics	Basic reporting, often manually generated.	Advanced analytics and real-time reporting and insight capabilities.
Customer experience	Limited self-service options for customers.	Enhanced customer portals and self-service options.

It is clear from the differences above that by adopting the modern accounts receivables system, an Enterprise can manage its accounts receivable cycle smoothly. The procedure that companies use to track payments, invoice customers, and collect money owing for goods or services rendered is known as accounts receivable (AR) processing. Serving as an intermediary between sales and income, it

guarantees that transactions are concluded with on-time payments. In order to sustain a business's finances and foster its expansion, this process is necessary to turn sales into real revenue.

**This accounts receivable cycle is clearly depicted in diagram below**



Source: ibntech.com

**Fig 1:** Accounts receivable process

## Literature Review

- Leora Klapper (2006) found that incorporating turnover which she calculated as a GDP percentage has a strong empirical correlation with defining the prudential and futuristic benefits of MSMEs account receivable and their conversion into appropriate collateral are related to factoring. Additionally, the study found that factoring receivables is not a noticeable aspect of bankruptcy. Additionally, the research made it possible to precisely calculate the extent to which factoring enables high risk suppliers to shift their credit risk to better quality purchasers. Credit given by the lender's actions is regarded as a component of the supplier-lender balance. Numerous countries' factoring process among MSMEs revealed inadequate credit operational systems, which will fuel the expansion of MSMEs in the future. Due to technological advancements and GDP development brought about by liberalisation MSMEs market share was restored.
- Thorsten Beck and Asli Demirgüç Kunt (2006) determined how accessible MSMEs are to financial issue and growth limitations. Empirical evidence suggests a connection between MSMEs financial issue and the potential receivables danger. The severity of receivables and the financial ramifications lead to a strong estimation of the growth restrictions. Additionally, it is shown that MSMEs are able to get beyond financial obstacles and increase their access to outside funding. This is the only effective strategy for escaping the grip of receivables issues. The MSMEs sector's growth is not unique; it is dependent on the globalised and liberalised economic environments and their manifestations.
- Krishna (2018) conducts survival analysis of data from 45 high-tech startups with headquarters spread across various Indian cities, understanding that entrepreneurship is a dynamic and complex process that requires constant learning. The goal is to ascertain with entrepreneurial decision making preference and mode of transformation to learning outcomes have the biggest impact on the survival of these startups. The findings show that the primary determinants reducing the time it takes for Indian high-tech businesses to survive are the entrepreneur's past startups experience, the exploratory mode of learning transformation, the entrepreneur's causal decision-making and the availability of capital.

## Objectives of the study

- To assess the effect of innovative technologies on enhancing receivable management of small and medium enterprises.
- To determine the impact of digitization on the revenue of micro and small and medium enterprises.

## Methodology

The nature of the current study is descriptive. Secondary information is gathered from a variety of sources, such as books, papers, journals, and websites of various government and commercial organisations. The primary objective of the methodology is to synthesise and integrate current knowledge to generate a comprehensive understanding of the subject.

## Discussion

### Innovative Technologies

In the ever-changing business world, every organisation invests significant resources in order to produce ever-higher revenue levels. But that income needs to be changed into actual money. There is an urgent need for cash flow management techniques and account receivable automation software since every rupee of revenue a business generates becomes a receivable that needs to be managed and collected. A solid cash flow management strategy and an effective accounts receivable management solution are essential for long term financial success and revenue growth even when cash and working capital management are undeniably available. The efficiency of our accounts receivable procedure determines our capacity to maximise cash flow, reduce risk and preserve positive client. Growing businesses can now effortlessly manage their accounts receivables process with the help of efficient and affordable software. Overlooking tedious manual procedures such as invoicing is no longer a chore; all customer interactions are just one glance away eliminating, eliminating hours of frustrated email hunts. Unlock the benefits of accounts receivable software and streamline our business accounting. Enjoy faster process, lower costs and enhanced overall efficiency for a prosperous future. Some benefits are –

- a) **Manage our cash flow:** Ensure that our customer pay on time by streamlining our cash flow using accounts receivable software we won't have to waste time following up with payments by phone or email.
- b) **Prevent errors:** We can guarantee our customer's payments are safe and smooth by integrating accounts receivable software with account system. Automated data sync removes the concern of money transfer between locations, minimising errors from manual entry to guarantee accuracy at every stage.
- c) **Improve customer relationships:** Improve our relationships with customers by using accounts receivable software. Simplify the payment procedure and establish a direct channel of contact with our clients to expedite payment and forge closer bonds.
- d) **Provide business insights:** Obtain priceless business insights by thoroughly examining our accounts. Received data, monitor revenue patterns, client behaviour and additional information to keep tabs on the financial health of our company.

### Some software that SMEs use to manage their receivables are as follows

1. **YayPay:** YayPay's advanced automated AR platform simplifies financial decisions. With so many strong features at our disposal, such as data analytics tools and an easy to use business intelligence dashboard we can quickly take control of our cash flow. With real-time insights on our customer's creditworthiness, we can monitor our relationships with them and stay ahead of swings in cash flow. Examine past conversations in-depth to handle conversations with ease all in one location. We can now handle our accounts receivable more easily than ever with YayPay. For the best possible control over our accounts, seamlessly link with market-leading software systems and use UPI connections to retrieve data from any other apps we utilise.
2. **Invoiced:** Our company may benefit from a full range

- of features with invoiced that facilitate efficient client service. Create payment plans on the platform to meet our needs for optimised invoicing or use their API feature for total control over functionality. Connect with Quickbooks and Xero with ease for improved integrations. It provides a multitude of software customisation choices to meet our specific requirements; you may customise features and usage volume to make our product precisely how you want it.
3. **Bill.com:** Small business that don't need corporate solutions can use bill.com, a straight forward platform with cheap pricing. This strong yet user-friendly technology streamlines accounts payable by providing invoice tracking, automated payment reminders and customers payment gateways. Financial management is now easier than ever with bill.com's streamlined customer communications automated changing and payment syncing with our accounting programme to flawless data correctness. For companies looking for an all-inclusive system for managing their accounts payable and receivable without going over budget.
  4. **Plooto:** If small businesses want to make invoicing and payments easier, plooto is a great option. We can obtain all the tools we need for a cheap monthly subscription of just \$25, including the ability to handle accounts payable and receivable limitless users and customers and the ability to accept credit card payments. Importing invoices is made simple and quick with plooto's seamless interface with Xero and Quickbooks. Furthermore, for 10 domestic payments per month, we provide automatic pre-authorized debit services at no additional cost, with an unbeatable rate of just 50 cents thereafter. This streamlines the payment collecting procedure.
  5. **Melio:** With intriguing features and an unbeatable pricing, Melio's accounts receivable software sets itself apart from the competition. In addition to offering an infinite number of businesses, customers and users at no extra cost, this user-friendly, true programme also gives free ACH transfers and check sending services. In order to optimise savings even more, clients have the option to have we cover the 2.9% credit card transaction fee on their behalf. Small business can now manage customer payments and track receivables more simply and affordably using Melio's user-friendly platform.
  6. **FreshBooks:** For independent contractors and small business owners, FreshBooks simplifies the accounts receivable and payable procedures. This cloud-based billing and invoicing software streamlines book-keeping task and has been rated as the finest of its kind by multiple review sites. With FreshBooks we can effortlessly and stylishly handle our company's money-handle billable hours worked for clients, send out visually appealing bills and receive notifications when they are opened. Using FreshBooks, we can take charge of payments follow-up and expedite our accounts receivable process. For people who owe we money, we can personalise the reminder messages that are automatically sent out at predetermined levels.
  7. **Collbox:** With excellent feedback from its user base

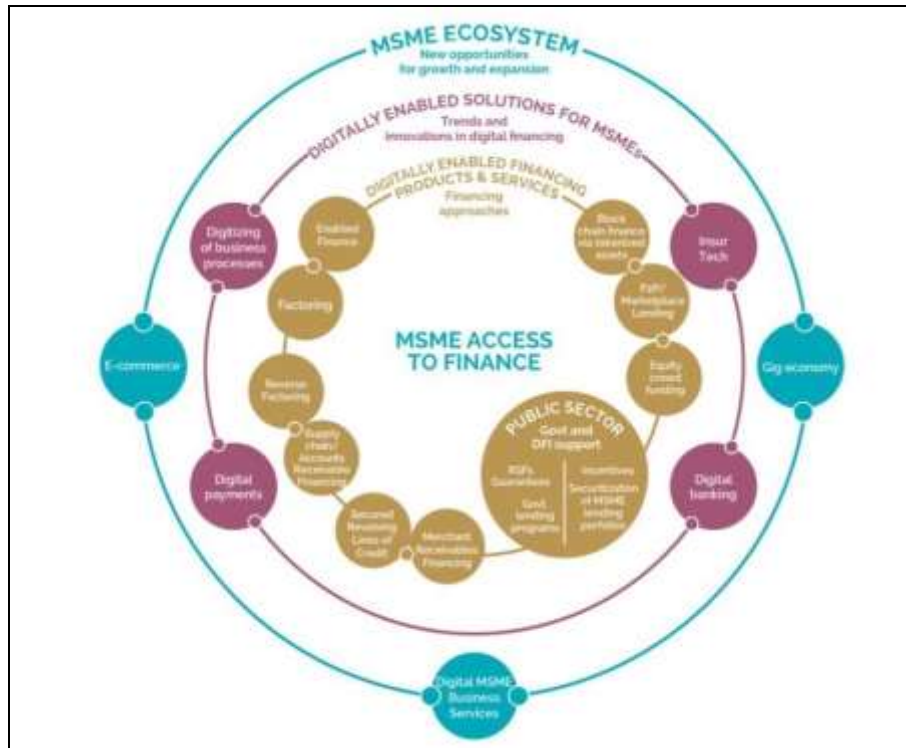
Collbox is the accounts receivable software used by numerous firms. Using the strength of cloud-based accounting solutions it assists in rapidly locating any client records that have unpaid invoices and decides which outstanding debts to delegate collection efforts to.

8. **Chaser:** All of the collection process is made easier with chaser, the best accounts receivable automation software (4.9 star) on capterra. Automatic payment reminders delivered through customised e-mails help businesses avoid having to follow up with late payments while also ensuring that clients reminder to pay. Use Chaser's full collection services to expedite the resolution of past-due debts staying on top of our customer's payment history is simple when we chaser to track every interaction. Make more informed plans and decisions by utilising the power of interactive debtor reports to gain more insight into the bring habits of our consumers.
9. **BlueSnap:** Account receivable procedure are expedited from beginning to end with BlueSnap's all inclusive online payment solution for even more simplicity, we may quickly link our robust automation programme to our current ERP, CRM and Accounting programmes. Profit from speedier payments without compromising dependability or accuracy. Our company's invoicing process can be efficiently streamlined with the help of its client portal, integrated electronic payments, proposal and eSignature capabilities, billing and subscription management features, invoice production and automation.

#### Digitization of MSMEs

Accounts receivable management has always been an important part of the financial management of a financial sharing centre. If SMEs start using these software to manage their receivables they can get relief from some of the problems faced by SMEs like due to manual operations, long working hours, uncontrolled errors. Digitization of SMEs to manage their receivables completely through these software also effect them. If those SMEs transact more digitally then they can definitely prevent their accounts receivable cycle from having adverse effects. The SMEs ecosystem's digital transformation has completely changed how SMEs run. New digital SMEs business tools and services have evolved, ranging from e-commerce to the gig economy. These include digital accounting, e-invoicing and digital economy management system SMEs are now able to compete with larger businesses and reach a wider audience thanks to e-commerce platforms like Amazon, Alibaba and Mercado Libre. The gig economy has also given SMEs new cghances to acquire reasonably priced labour and resources in a number of markets. Additionally SMEs now find at simpler to manage their daily operation, streamline procedures and cut costs in these markets because to the availability of digital business management tools accounting software and e-invoicing. Figure demonstrates the range and interactions between various digitally enabled solutions, products and service for SMEs.

#### Digitization of MSME ecosystem



Source: Innovations in financial service for micro, small and medium-sized enterprises

Fig 2: MSME access to finance

A crucial element of an organization financial stability is its efficient payment management with a particular emphasis on receivables. Any commercial organisation’s ability to generate cash flow is greatly influenced by this receivables are, on the other hand, a definite requirement for establishing fruitful business partnerships. On the other side, if the debtor delays fulfilling their commitments, it may result in a cash flow problem. Many business now have a great deal of expertise managing their receivables; the methods and instruments used to do so depend on a variety of criteria. But these days, businesses have to deal with issues like the need for quick decision making and fast information regarding their counterparties ability to pay. For this reason, a lot of businesses update traditional processes as a result of IT solutions. With sophisticated analysis and reporting capabilities, technology has enabled firms to make data-driven decisions. Enterprises can acquire valuable insights into client payment behaviours, pinpoint payment proces bottlenecks and enhance credit management tactics by gathering and evaluating copies volumes of AR data. Key performance indicators(KPI) like Day Sale Outstanding(DSO), Receivable Aging and credit worthiness can be monitored by AR teams using real-time dashboards and personalised reports. By providing individualised payment terms and solutions these insights assist companies in building stronger customer connections, proactively addressing payment concerns and prioritising collections operations.

When it comes to accounts receivable management technology has completely changed the consumer experience. Customer can securely and simply check and pay invoices via online payment gateways and self-service options, which minimises the need for manual intervention. Reduced late payments are achieved by automatically notifying and reminding clients of impending deadlines. Virtual assistants and chatbots can also answer client

questions about payments and invoicing and offer immediate assistance. Business may boost customer happiness, strengthen bonds with customer and encourage on-time payments by utilising technology to deliver a smooth and intuitive experience. One cannot emphasis how technology is to the modernisation of accounts receivable administration. Businesses now manage all AR operations in a completely new way because to automation, digitization, data analytics and enhanced customer experience. Organisations can achieve long-term financial success by adopting these technology innovations which simply operations, cut expenses and improve cash flow management.

**Conclusion**

While everyone’s attention is usually focused on innovations in payments, many businesses realise that managing their receivables presents a unique challenge from which they could gain more success. The data and mode of outgoing payments are largely with in the control of treasures and finance managers; incoming payments are mostly outside their control. Automated software solutions can enhance, expedite and improve the effectiveness of the receivables management process. But before purchasing and putting into use, executives need to be very clear about what features are essential since this will not only affect return on investment but also the overall productivity of the business. At prsents, improvement in the financial condition of the enterprise can be seen only due to digital transactions. A significant increase was recorded in the digitization of SMEs since covid. Digitization of SMEs also affects the fact that they are able to receive fixed payments on a accounts receivables on time.

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