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**THE RELATIONSHIP BETWEEN ACCOUNTS RECEIVABLE MANAGEMENT AND
FINANCIAL PERFORMANCE OF MOUNT ELGON MILLERS LIMITED IN MBALE-
UGANDA**

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ABSTRACT

Receivable management is an important fact of financial management. Their accurate monitoring and proper management are also important dimensions in organization. This study examines the effect of accounts receivable management on the financial performance of Mt Elgon millers limited. The study was based on three objectives which were: To examine the relationship between credit selection standards and the financial performance of Mt Elgon millers limited in Mbale district, to find out the relationship between credit terms and the financial performance of Mt Elgon millers limited in Mbale district and to determine the relationship between collection policies and procedures and the financial performance of Mt Elgon millers limited in Mbale district. The researcher constructed a conceptual frame work to guide the study. The researcher used a correlational research design in order to determine the significance of the relationship between accounts receivable management and financial performance. The researcher has employed stratified sampling, purposive sampling technique and census sampling technique. Research questionnaires was developed as a data collection instrument, also document analysis was used a source of data. The questionnaire was distributed to 74 respondents which were comprised executives, line managers and operational staff. To test the reliability of the instrument Cronbach's Alpha coefficient was used and it became 0.932 which is 93.2%. This shows that the collected data is reliable. In order to analyze the collected data the researcher used descriptive statistics, Pearson correlation and regression analysis. The findings of the study show that accounts receivable management has a strong, significant and positive relationship with financial performance. Based on the findings of the study, it was found that, firstly, credit standards has a strong, significant and positive relationship with the financial performance; credit standards become the most contributable variable to the financial performance because [$r^2=0.764$ which can be written as 76.4%, and $P<0.05$ which means the relationship is significant]. Secondly, credit terms have a positive and significant relationship with the financial performance but it was totally excluded from the model. Lastly, collection policy has a strong, significant and positive relationship with the financial performance of Mt Elgon millers limited. Collection policy is the second most contributable variable to the financial performance and it contributes [$r^2= 0.664$] which can be written as 66.4%, while $P<0.05$ which indicates that the relationship is significant. The study recommends that firms should create a credit extension policy which should be adhered to always and periodically reviewed to see when it should be changed to match with economic conditions.

Firms should create a credit collection policy setting out the procedures and practices to be used by the company to collect overdue or delinquent accounts receivable.