



# Journal of Frontiers in Multidisciplinary Research

## Assessing the Relationship between Accounts Receivable Management Practices and Financial Performance among Financial Institutions in Bukidnon

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### Article Info

**E-ISSN:** 3050-9726

**P-ISSN:** 3050-9718

**Impact Factor (RSIF):** 7.34

**Volume:** 07

**Issue:** 01

**Received:** 16-03-2026

**Accepted:** 15-04-2026

**Published:** 14-05-2026

**Page No:** 435-444

### Abstract

Financial institutions are essential for economic growth, with Financial Performance heavily dependent on effective and efficient Accounts Receivable Management. International evidence supports this study, but still, a research gap exists which concerns with the specific impact of credit policy and collection policy on local financial institutions within the Philippine context, specifically in Bukidnon. The main objective of this study is to examine the relationship between accounts receivable management with indicators, credit and collection policies and the financial performance among financial institutions in Bukidnon, Bukidnon. The research methodology that was used in this study was a quantitative method. Researchers collected numerical data to describe how financial institutions manage their accounts receivable through credit policy and collection policy and how they are doing in terms of financial performance. The data collected came from 115 respondents which are the managers, supervisors, and personnel assigned in the credit and collection department using a modified and adapted questionnaire. Findings indicate that institutions demonstrate a very high level of both Accounts Receivable Management because of a clear, well-structured credit and consistent collection policies and overall Financial Performance. Most importantly, the correlational analysis established a significant and positive relationship between ARM and Financial Performance (Credit Policy  $r=0.404$ , Collection Policy  $r=0.432$ ;  $p < 0.001$ ), leading to the rejection of the null hypothesis. The findings suggest that effective Accounts Receivable Management influences financial performance of institutions in financial stability, liquidity, and profitability.

**DOI:** <https://doi.org/10.54660/JFMR.2026.7.1.435-444>

**Keywords:** accounts receivable management, collection policy, credit policy, financial institution, financial performance

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### 1. Introduction

Financial institutions play a fundamental role in economic development through savings mobilization, credit allocation, and financial intermediation. Globally, the sustainability of banks and lending institutions increasingly depends on their ability to maintain strong financial performance amid rising credit risks and changing market conditions. Financial performance reflects an institution's capacity to generate profit, maintain liquidity, and sustain operational stability over time. Common indicators used in financial management literature include profitability ratios, return on assets and liquidity measures (Tobazaa & Gatsi, 2025) <sup>[55]</sup>. Because financial institutions largely operate through credit-based transactions, effective management of receivables becomes essential in protecting institutional profitability and cash flow stability.

Accounts receivable management is considered a critical component of working capital management because it directly affects liquidity, operational efficiency, and financial sustainability. In financial institutions, receivables emerge primarily through loans

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Accounts receivable management is considered a critical component of working capital management because it directly affects liquidity, operational efficiency, and financial sustainability. In financial institutions, receivables emerge primarily through loans and other credit accommodations extended to borrowers. Poor receivable management may increase delinquency rates, bad debts, and collection inefficiencies, which can negatively affect institutional performance. Conversely, effective receivable management enables institutions to maintain healthy cash flows while minimizing credit risk exposure. Prior studies emphasize that receivable management practices such as credit evaluation, repayment scheduling, and collection monitoring significantly influence organizational profitability and liquidity (Abubakar & Olowe, 2019) [1].

Existing literature further suggests that credit policy and collection policy are among the most important dimensions of accounts receivable management. Credit policy determines borrower qualification standards, repayment terms, collateral requirements, and credit limits, while collection policy governs procedures for monitoring, reminding, negotiating, and recovering overdue accounts. Studies conducted in various international settings have shown that well-structured credit and collection policies contribute positively to financial performance by reducing default risks and improving collection efficiency. However, many of these studies primarily measure accounts receivable management using financial indicators such as receivable turnover ratio and collection period, with limited attention given to the actual implementation and effectiveness of institutional credit and collection policies.

In the Philippine context, financial institutions, particularly those operating in provincial and rural areas, face unique challenges related to borrower repayment behavior, financial literacy, and local economic instability. Despite the importance of receivable management in sustaining institutional performance, limited empirical studies have examined how specific accounts receivable management practices influence the financial performance of financial institutions at the local level. Existing Philippine studies are often concentrated on large commercial banks or urban-based institutions, leaving rural and municipality-based financial institutions underexplored.

More specifically, there remains limited evidence regarding how credit and collection policies are practiced and associated with financial performance among financial institutions in Bukidnon. This creates an empirical gap because local institutions operate under different economic and operational conditions compared with larger urban

financial organizations. Furthermore, prior studies have largely focused on quantitative financial ratios without examining policy-oriented dimensions of receivable management that may significantly affect profitability and liquidity outcomes in localized settings. As a result, the applicability of existing findings to financial institutions in Bukidnon remains uncertain.

To address this gap, the present study investigated the relationship between accounts receivable management and financial performance among financial institutions in selected municipalities and cities in Bukidnon, Philippines. Specifically, the study examined accounts receivable management in terms of credit policy and collection policy and assessed financial performance in terms of profitability and liquidity. The study further aimed to determine whether significant relationships exist between accounts receivable management practices and the financial performance of financial institutions.

The findings of this study may provide practical insights for managers of financial institutions in improving credit and collection strategies to strengthen profitability and liquidity performance. The study may also contribute localized empirical evidence useful for policymakers and regulators in designing interventions that support the sustainability of financial institutions in rural and provincial settings. Moreover, the research contributes to the growing body of literature on accounts receivable management by emphasizing policy-based dimensions of receivable management within the context of local financial institutions in Bukidnon.

### 1.1. Significance of the Study

The outputs of this research are expected to provide practical contributions to customers, financial institutions, managers of financial institutions, and researchers and academics. For customers, the study may contribute to improved customer relations through more effective and responsive credit and collection practices, which can result in more convenient credit terms, better service quality, and enhanced trust in financially stable institutions. For financial institutions and their managers, the findings may provide valuable insights into how effective accounts receivable management, particularly in terms of credit and collection policies, influences financial performance, profitability, and liquidity. These insights may support managers in making informed decisions regarding credit evaluation, collection strategies, and risk management to sustain operational efficiency and revenue continuity. Moreover, the study contributes to the existing body of knowledge on accounts receivable management and financial performance by providing localized empirical evidence within the context of financial institutions in Bukidnon. The findings may also serve as useful reference material for future researchers and academicians in conducting related studies and in strengthening discussions on financial management and receivable management practices in educational settings.

### 1.2. Conceptual Framework

The present study was anchored on the concept that effective accounts receivable management significantly influences the financial performance of financial institutions. In this framework, accounts receivable management served as the independent variable, while financial performance served as the dependent variable. Accounts receivable management

was examined through two major dimensions: credit policy and collection policy. Credit policy refers to the guidelines and procedures used by financial institutions to assess borrower creditworthiness, determine borrowing limits, establish repayment terms, and manage credit risks. Effective credit policies are expected to minimize non-performing loans, improve repayment capacity assessment, and maintain the quality of institutional assets. Conversely, weak or overly lenient credit policies may increase default risks and negatively affect profitability and liquidity. Meanwhile, collection policy pertains to the strategies and procedures implemented by institutions to monitor, follow up, and recover outstanding receivables from borrowers. Effective collection policies may improve cash flow management, reduce overdue accounts, and strengthen financial stability. The study assumes that stronger credit and collection policies contribute positively to the financial performance of financial institutions, particularly in terms of profitability and liquidity. Thus, the study hypothesized that accounts receivable management, as measured by credit policy and collection policy, has a significant relationship with the financial performance of financial institutions in Bukidnon.

### 1.3. Theoretical Framework

The study was anchored on Portfolio Theory and Transaction Cost Theory to explain the relationship between accounts receivable management and financial performance among financial institutions. Portfolio Theory, developed by Harry Markowitz (1952) <sup>[31]</sup>, explains that organizations can maximize returns while minimizing risks through proper management and diversification of assets. In the context of this study, accounts receivable is viewed as financial assets composed of borrowers with varying levels of credit risk. This theory supports the role of credit policy in evaluating borrower creditworthiness, determining repayment capacity, setting credit limits, and reducing the risk of non-performing loans. Effective credit policies help financial institutions maintain a balanced and low-risk receivable portfolio, which may improve profitability and liquidity performance. Thus,

Portfolio Theory directly explains how sound credit policy contributes to stronger financial performance.

On the other hand, Transaction Cost Theory, introduced by Ronald Coase (1937) <sup>[10]</sup> and further developed by Oliver Williamson (1985) <sup>[59]</sup>, explains that organizations establish internal control mechanisms to minimize costs associated with transactions, monitoring, and enforcement. In this study, the theory supports the role of collection policy in managing overdue accounts and reducing collection-related costs. Ineffective collection practices may increase expenses related to follow-ups, renegotiations, legal procedures, and monitoring activities, which can negatively affect institutional cash flow and profitability. Conversely, effective collection policies help institutions recover receivables efficiently, reduce operational costs, and maintain financial stability. Therefore, Transaction Cost Theory explains how efficient collection policy contributes to improved financial performance among financial institutions.

Taken together, the two theories provide a strong theoretical foundation for the study by explaining how credit policy and collection policy, as dimensions of accounts receivable management, influence the financial performance of financial institutions in terms of profitability and liquidity.

### 1.4. Statement of the Problem

This study aimed to determine the significant relationship between Accounts Receivable Management and Financial Performance among Financial Institutions in Impasugong, Kisolon, and Malaybalay City. To address the said problem, the participants will answer the following question.

1. What is the level of Account Receivable Management among Financial Institutions in terms of;
  - 1.1 Credit Policy and
  - 1.2 Collection Policy?
2. What is the level of Financial Performance among Financial Institutions in Bukidnon?
3. Is there a significant relationship between Accounts Receivable Management and Financial Performance among Financial institutions in Bukidnon

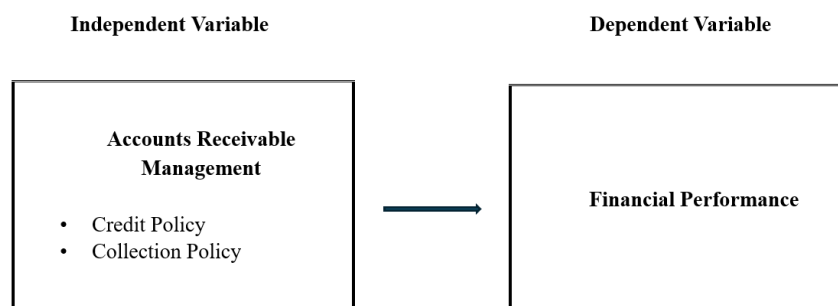


Fig 1: Framework of the Study

### Hypothesis

**Ho:** There is no significant relationship between Accounts Receivable and Financial Performance among financial institutions.

## 2. Methodology

### 2.1. Research Design

The research methodology that was used in this study was a quantitative method. Researchers collected numerical data to describe how financial institutions manage their accounts receivable through credit policy and collection policy, and how they are doing in terms of financial performance.

The descriptive part of the design was used to show the current situation or level of these variables. The correlational part was used to find out whether there is a relationship between accounts receivable management and financial performance. That is, whether institutions with better credit and collection policies also tend to have better financial results. The researchers did not change or control anything in the institutions; they only observed and measured what was already happening, so the results reveal associations, not direct cause-and-effect relationships.

## 2.2. Participants of the Study

The research presented in this article was conducted in three areas of the Philippines: selected Municipalities in Bukidnon, which encompass rural, semi-urban, and urban areas that financial institutions heavily influence. Bukidnon is a growing metropolitan area that includes several unregulated banks, cooperatives, and microfinance institutions; therefore, it is an attractive location to research how accounts receivable management impacts financial performance and risk management. While financial institutions predominantly serve the more semi-urban areas they cater to the needs of farmers, small businesses, and families with irregular income.

To maintain consistency and validity of the data collected, financial institutions located in these three locations only will be utilized in the study, and the study will only use individuals at the level of managers, supervisors, or designated personnel working within the credit and collection department, including credit reviewers, approving agents, and individuals supervising collection operations. Staff at all other levels of the financial institution, including cashiers, tellers, and others not directly involved in or designated to make decisions regarding credit and collection, are excluded from the study. By limiting the sample to individuals in supervisory-level positions as described above, researchers can obtain responses that best reflect the credit and collection policies and procedures of the financial institutions included in the study and how those policies and procedures impact the institutions' financial performance with respect to their accounts receivable.

## 2.3. Population Sampling

The study employed purposive non-probability sampling to select respondents who have direct involvement in accounts receivable management within financial institutions. The sampling frame included banks, cooperatives, lending institutions, and financing organizations operating in selected municipalities in Bukidnon. Respondents were intentionally selected based on specific inclusion criteria, particularly those responsible for credit evaluation, loan approval, repayment monitoring, and collection activities. These included branch managers, credit officers, collection supervisors, and other personnel directly involved in implementing credit and collection policies. Employees assigned only to clerical, bookkeeping, or cash-handling tasks were excluded because they were not directly engaged in receivable management decision-making.

Purposive sampling was considered appropriate because the study required informed responses from individuals with actual knowledge and experience in accounts receivable management and financial performance. The sample size was based on the number of qualified respondents available from participating institutions and the need to obtain representation from different types of financial institutions. To reduce overrepresentation and sampling bias, respondents were gathered from multiple institutions rather than relying on only one organization. However, since the study used non-probability sampling, the findings may not be generalized to all financial institutions with complete statistical certainty. The results are most applicable to institutions with similar operational characteristics and contexts.

## 2.4. Research Instrument

The study used a structured questionnaire adapted from related literature and previous studies on accounts receivable management and financial performance. The instrument contained items on credit policy, collection policy, profitability, and liquidity. The questionnaire was modified to fit the context of financial institutions in Bukidnon. To ensure validity, the instrument was reviewed by experts in financial management and research. Their comments and suggestions were incorporated to improve the clarity and relevance of the items. A pilot test was also conducted among selected respondents outside the actual sample to assess reliability and consistency. Necessary revisions were made before the final distribution of the questionnaire.

The reliability of the research instrument was tested using Cronbach's Alpha to ensure internal consistency among the variables used in the study. The results showed that all constructs obtained acceptable to high reliability coefficients. Specifically, credit policy and collection policy under accounts receivable management both yielded strong reliability values, while financial performance also demonstrated a high level of internal consistency.

Moreover, the accounts receivable management construct obtained a Cronbach's Alpha value above the recommended threshold of 0.70, indicating that the items used to measure the construct are consistent and reliable. Likewise, the financial performance construct also registered a Cronbach's Alpha value above 0.90, suggesting that the indicators used to measure profitability and liquidity are dependable and appropriate for analysis. These results confirm that the instrument used in the study is reliable and suitable for further statistical treatment.

To ensure the validity of the findings, the study also addressed the possibility of common method bias since data were collected using a single survey instrument. Procedurally, the questionnaire was designed to reduce bias. The results showed that no single factor accounted for the majority of variance in the data. This indicates that common method bias is not a serious concern in the study, and the observed relationships among variables are unlikely to be inflated by measurement error.

## 2.5. Data Collection

The survey questionnaire was personally distributed and administered to the respondents by the researchers. Before it was used in the study, first the researchers had an approval letter from the campus. Second, the researcher's consultant checks and validated the adaptive questionnaire. To ensure that participation was voluntary, the researcher prepared an informed consent form that was attached to the questionnaire. This consent form informed them of the purpose of the study assured them that their information would be kept confidential and their anonymity would be maintained and was used solely for its intended purpose. The researcher then collected the completed questionnaires from the respondents. Lastly, the researchers tallied and analyzed the data results.

## 2.6. Ethical Consideration

Before the actual data collection, the researchers ensured that the participants understood they were taking part in a study, the purpose of the research, and the methods being used, and

that no material information they needed to know was left out. They were also made aware that their decision to participate or not in the study was respected and valued, and that they have the right to withdraw from the study at any time. All the information gathered was held with the utmost confidentiality and used only for the completion of the study. This study underwent a plagiarism detector test, such as a student plagiarism checker, to avoid plagiarism and ensure proper acknowledgement of other authors' or researchers' ideas and words. This study did not add or construct inaccurate facts or observations during data collection. No claims were made based on incomplete or assumed results.

### 3. Results

#### 3.1. Descriptive Statistics

**Table 1:** Assessment on Account Receivable Management in terms of Credit Policy

Construct / Item	Mean	Standard Deviation	Interpretation
1. Our credit policy is well-structured and clear.	3.82	0.39	Very High
2. Our credit policy effectively manages credit risk and reduces the likelihood of bad debts.	3.73	0.45	Very High
3. The credit policy supports our company's financial stability and cash flow management.	3.84	0.36	Very High
4. Customers comply with our credit policy, resulting in timely payments.	3.72	0.45	Very High
5. The credit items offered to our customers align with industry standards and customer needs.	3.85	0.36	Very High
6. Our credit policy is flexible enough to accommodate changing economic conditions and customer circumstances.	3.78	0.41	Very High
7. The credit policy has helped us minimize bad debt and late customer payments.	3.77	0.43	Very High
Factor Mean	3.79	0.26	Very High

**Note(s):** N = 115; ARM=Accounts Receivable Management; Scale: 4 (3.25–4.00) Strongly Agree, 3 (2.50–3.24) Agree; 2 (1.75–2.49) Disagree; 1 (1.00–1.74) Strongly Disagree Interpretation: Strongly Agree (3.25–4.00)- Very high level of ARM; Agree (2.50–3.24)- High level of ARM; Disagree (1.75–2.49)- Moderate level of ARM; Strongly disagree (1.00–1.74)- Low level of ARM.

The statistical information in table 4 outlines the accounts receivable management policy's descriptive statistics. The average scores for the seven factors range from 3.72 to 3.85. These averages indicate that all seven factors fall under the criteria of a very high level of accounts receivable management and, therefore, that respondents generally believe their institutions have credit policies that are well-organized, effective at promoting the institution's financial performance, and supportive of financial performance. Additionally, the low standard deviations (0.36 to 0.45) demonstrate that respondents did not have major differences with their scores for the credit policies of certain institutions. Overall, the average score of 3.79 (SD = 0.26) also reflects the strong belief that the financial institutions being analyzed maintain strong, effective credit management practices.

This study had no trace of misrepresentation or manipulation of results to fit a theoretical expectation, nor was there any evidence of exaggeration. Conflict of interest was not evident in this study. There was no intent in the research to disclose any information that would be detrimental to participants' welfare. This study did not invade participants' privacy or coerce them into acting against their will and ensured that participants' self-esteem was not damaged.

The research document underwent a series of revisions per the advice and recommendations of its adviser and panelists. It followed the University Ethics Review Committee's guidelines and ethical considerations for the study.

Flexible credit policies, according to Bezemer *et al.* (2021), enhance institutional stability and promote the development of a sustainable economic environment, while rigid credit arrangements limit the ability to adapt to changes in circumstances and reduce resilience. Mukaromah and Supriyono (2020) have established a link between successful credit management and operational efficiency. Moreover, Gautam (2024) underlines the necessity for banks to maintain complete control of both credit risk and operational Risk to optimize their financial performance. Overall, the findings indicate that respondents have a high level of confidence in their credit policy in the regions of the study; they believe their institutions utilize strong, risk-sensitive, flexible credit practices that are consistent with industry standards, and thus, all indicators measure this confidence level consistently.

**Table 2:** Descriptive Statistics for Account Receivable Management in terms of Collection Policy

Construct / Item	Mean	SD	Interpretation
1. Our collection policy is clear and well communicated.	3.71	0.45	Very High
2. Our collection policy is consistently followed.	3.79	0.41	Very High
3. The collection policy has positively impacted our company's cash flow.	3.77	0.43	Very High
4. The collection policy has reduced our bad debt and outstanding receivables.	3.73	0.44	Very High
5. The collection policy has improved our cash flow and minimized bad debts.	3.68	0.47	Very High
6. The collection policy has contributed to strengthening our relationships with customers.	3.72	0.46	Very High
Factor Mean	3.73	0.29	Very High

**Note(s):** N = 115; ARM=Accounts Receivable Management; Scale: 4 (3.25–4.00) Strongly Agree, 3 (2.50–3.24) Agree; 2 (1.75–2.49) Disagree; 1 (1.00–1.74) Strongly Disagree Interpretation: Strongly Agree (3.25–4.00)- Very high level of ARM; Agree (2.50–3.24)- High level of ARM; Disagree (1.75–2.49)- Moderate level of ARM; Strongly disagree (1.00–1.74)- Low level of ARM.

Table 5 shows that the collection policy is one of the variables of Accounts Receivable management that the respondents felt were at very high levels. The mean for all respondents was between 3.68 and 3.79, indicating that the respondents agreed with this statement and felt that their respective institutions had a clear, consistent, and effective collection policy in

place. Also, the mean score of 3.73 (SD = 0.29) indicates that most of the respondents felt that their collection policy was well structured, consistent with one another, and established practices for collection. The mean scores also reflect a low amount of variability (standard deviations were between 0.41 and 0.47) among the respondents regarding their views on the

clarity and effectiveness of collection policies, which indicates that there was a majority consensus about these two factors.

The highest rate indicator ( $M = 3.79$ ,  $SD = 0.41$ ) emphasized the consistent enforcement of collection policies. This result implies that financial institutions demonstrate a high degree of institutional commitment to following established procedures in managing receivables. Gitahi (2023) discovered that a stringent collection policy enhances the discipline of the organization and effectiveness of receivable

controls, which justifies the high rating of the regular implementation of policy. Equally, Enoch *et al.* (2021) observed that even effective collection systems do not cover the challenges of full elimination of defaults, which is in line with the slightly lower yet very high rating on cash flow improvement and bad debt reduction. Also, Nsengiyumva and Harelimana (2020) found that properly organized collection policies increase the stability of the institution, as the relationship with customers is positive, and the rating of relationship strengthening is also high.

**Table 3:** Descriptive Statistics for Financial Performance

Construct / Item	Mean	Standard Deviation	Interpretation
1. The level of debt in our company is well managed.	3.78	0.42	Very High
2. Our company effectively utilizes its resources to generate profits.	3.75	0.44	Very High
3. Our company effectively manages financial risks.	3.75	0.44	Very High
4. Our company invests in research and development to enhance financial performance.	3.76	0.43	Very High
5. The level of transparency in financial reporting in our company is satisfactory.	3.75	0.44	Very High
6. Our company shows profitability as evidenced by increased revenue and net profit.	3.76	0.43	Very High
7. Our company consistently achieves the goal of making it as cost-effective as possible.	3.70	0.46	Very High
8. Our market share is growing, as shown by the increasing number of new customers.	3.84	0.38	Very High
9. There has been effective cost control leading to improved efficiency.	3.71	0.46	Very High
10. The company has successfully expanded its market share.	3.78	0.42	Very High
Factor Mean	3.76	0.27	Very High

*Note(s):*  $N = 115$ ; Scale: 4 (3.25–4.00) Strongly Agree, 3 (2.50–3.24) Agree; 2 (1.75–2.49) Disagree; 1 (1.00–1.74) Strongly Disagree Interpretation: Strongly Agree (3.25–4.00)- Very high level of ARM; Agree (2.50–3.24)- High level of ARM; Disagree (1.75–2.49)- Moderate level of ARM; Strongly disagree (1.00–1.74)- Low level of ARM.

Respondents rated the financial performance of their institutions as very high, based on the results shown in Table 6, with mean scores between 3.70 and 3.84. The overall mean score of 3.76 ( $SD = 0.27$ ) demonstrates a strong consensus among the respondents that their institutions have strong financial health, are effectively run, and have excellent operational performance.

The low standard deviations noted (between 0.38 and 0.46) indicate that there was consensus amongst the respondents, thereby providing additional reliability to the results. The best-rated indicator was market share growth ( $M = 3.84$ ,  $SD = 0.38$ ). This implies that the financial institutions in the study area are perceived as successful in expanding the number of customers and maintaining competitiveness. Putri 2024<sup>[50]</sup> attaches significance to the long-term growth of the market in terms of institutional adaptability, which correlates directly to the best-rated market share growth indicator. ( $M = 3.76$ ) was also a very high rating. Respondents strongly agreed that their institutions are financially sustainable and can generate stable income. Gurung and Shrestha (2023)<sup>[20]</sup> emphasized that profitability is an integral aspect of financial performance since it indicates the institution's efficiency in resource management and value delivery to the stakeholders. Meanwhile, management of debt and financial Risk was also rated high ( $M = 3.75$ -3.78). This implies that institutions are seen to take prudent strategies as far as dealing with liabilities and risk minimization is concerned. According to Gitahi *et al.* (2020)<sup>[19]</sup>, the use of effective risk control helps to

promote the institutional resilience and stability of financial institutions because of the ability of such institutions to stay secure despite uncertain market conditions. Another highly rated indicator was transparency in financial reporting ( $M = 3.75$ ). This indicates the respondents' agreement that their institutions maintain accountability and credibility in reporting practices. Transparency is one of the core principles of good governance, according to agency theory, as some of its benefits are the creation of trust among various stakeholders and confidence in the functioning of institutions (Jensen & Meckling, 1976)<sup>[24]</sup>.

The third lowest-rated indicator out of five was Overall Cost Effectiveness ( $M = 3.70$ ,  $SD = 0.46$ ). While this was rated slightly lower than the other four indicators, it remains in the Very High category, further suggesting that respondents believe their institutions manage resources in a rational manner while still identifying opportunities for improved cost management and optimization of operational expenses. Putri (2024)<sup>[50]</sup> also suggested that financial institutions should continue enhancing their internal processes to improve their efficiency and profitability.

Overall, a very high overall rating means the respondents think their financial institutions are performing at a strong and sustainable level in several indicators in terms of growth, profitability, risk management, transparency of reporting, and cost-effectiveness. These results validate the fact that financial institutions in Bukidnon are considered financially strong and strategically managed by their key personnel.

**Table 4:** Spearman's rho tests the significant relationship between Accounts Receivable Management and Financial Performance.

Accounts Receivable management	Financial Performance	P-value	Interpretation
Credit Policy	.404**	<.001	Significant
Collection Policy	.432**	<.001	Significant

\*\*Correlation is significant at the 0.01 level (2-tailed).

\*Correlation is significant at the 0.05 level (2-tailed).

Null Hypothesis: Rejected

Table 4 presents the result of the Spearman's rho test used to determine the relationship between accounts receivable management and financial performance among financial institutions. The findings show that both credit policy ( $\rho = 0.404, p < .001$ )<sup>[1]</sup> and collection policy ( $\rho = 0.432, p < .001$ )<sup>[1]</sup> have a statistically significant relationship with financial performance at the 0.01 level of significance. Hence, the null hypothesis is rejected. However, it is important to note that the correlation coefficients fall within the moderate range, indicating that while the relationships are meaningful, they are not strong. Between the two indicators, collection policy shows a slightly higher correlation compared to credit policy. This suggests that effective collection practices may have a relatively stronger association with financial performance, particularly in terms of liquidity and cash flow stability. However, the difference between the two values is minimal, which implies that both credit and collection policies contribute almost equally to explaining financial performance outcomes.

Further, the results further indicate that financial institutions with better-implemented credit and collection policies tend to exhibit better financial performance. However, this should not be interpreted as a causal relationship, as the test only measures association and not causation. Other factors such as operational efficiency, management practices, and economic conditions may also influence financial performance. It was also observed from the descriptive results that responses were generally high across indicators. This may suggest a tendency toward positive ratings or response bias, where respondents assess institutional practices favorably. While this does not invalidate the results, it may have influenced the level of variability in responses.

Despite this limitation, the consistent significance of both variables strengthens the conclusion that accounts receivable management is meaningfully associated with financial performance. This aligns with prior studies which also found that effective credit and collection management contribute to improved profitability and organizational performance. Studies by Abubakar and Olowe (2019)<sup>[1]</sup>, the support the notion that receivable management practices are important drivers of financial outcomes across different institutional settings. Thus, the findings suggest that strengthening credit policy and collection policy may support improved financial performance among financial institutions in Bukidnon, although the relationship is moderate and should be considered alongside other financial and operational factors.

#### 4. Discussion

According to a study of three funding institutions in Bukidnon, all three exhibited consistent patterns of very high levels of accounts receivable, driven by both their credit-granting policies and their collection practices. Managers, supervisors, and credit personnel at the three institutions shared an overwhelming consensus that they had clearly defined credit policies consistent with both their internal structures and industry standards. In addition to providing mechanisms for managing credit risk, clearly defined credit policies reduced write-offs due to bad debt and enabled institutions to manage cash flow and achieve stability. Respondents agreed that the collection policies at these institutions were clear and consistently applied.

The collection policy provided ways to recover funds, improve cash flow, and reduce delinquent accounts receivable. Based on data collected from the study, credit

policies were perceived not only as pieces of paper but also as active risk management tools that enabled organisations to succeed in their operations. The three institutions that participated in this study were rated very highly across many financial metrics, including debt-to-equity ratios, ROE, profit margins, return on investment, transparency in financial reporting, cost-to-income ratio, and increases in market share. Respondents expressed confidence that the financial institution they worked for was in good health, well-managed, competitive, had a growing customer base, and utilized sound Risk and debt management practices.

Although respondents rated cost-effectiveness lowest among the performance measures, this indicates that cost-effectiveness is the desired goal of these institutions' operations, while they are also aware of their costs. The analysis of data to determine the correlations between the credit policy, collection policy, and the financial performance of the participating institutions revealed moderate correlations between credit policy and economic performance, and between collection policy and financial performance. The analysis indicated that there is a statistically significant, positive correlation between credit policy and financial performance, and between collection policy and economic performance. The Spearman's rho correlation coefficients for the credit policy and the collection policy were both statistically significant (0.404 and 0.432, respectively, with  $p < 0.001$ )<sup>[1]</sup>.

The analysis demonstrates that institutions that have implemented effective credit policies and collection policies are more likely to experience greater financial success. Thus, the research leads to the conclusion that the null hypothesis is rejected and supports the premise that effective accounts receivable management is a strategic driver of enhanced financial performance for financial institutions in Bukidnon. Overall, the research demonstrates that the financial performance of financial institutions in Bukidnon is dependent upon the efficiency of their accounts receivable management process and indicates the need for additional compensation to ensure compliance with customer obligations, the effect of the changes in interest rates on the financial Risk of defaults, and the continued improvement of the efficiency of their operations.

Collectively, the research supports the belief that the financial status of financial institutions in Bukidnon is stable with respect to their accounts receivable and their financial health and indicates a need for the continuation of their current policies to maintain and enhance the economic stability and growth of the institutions over the long term.

#### 5. Conclusion

This study examined the relationship between accounts receivable management and financial performance among selected financial institutions in the municipalities in Bukidnon. The findings indicate that the institutions generally reported high levels of credit policy and collection policy implementation, as well as high perceived financial performance. However, these results are based on respondents' perceptions and should be interpreted within the limits of the study context.

The inferential results showed that both credit policy ( $\rho = 0.404, p < 0.001$ ) and collection policy ( $\rho = 0.432, p < 0.001$ ) have moderate but statistically significant relationships with financial performance. This led to the rejection of the null hypothesis. The results suggest that better implementation of

credit and collection policies is associated with improved financial performance, although the strength of the relationship is not strong enough to imply a major or sole determining effect.

Overall, the study concludes that accounts receivable management is related to financial performance in the selected financial institutions; however, the relationship is moderate and should be understood alongside other possible influencing factors not covered in the study.

## 6. Recommendation

Based on the findings and conclusions of the study, the core recommendation emphasizes the strengthening of accounts receivable management practices, particularly credit policy and collection policy, as these are moderately associated with financial performance. Financial institutions are encouraged to further enhance customer compliance through clearer communication of credit terms, including repayment obligations, penalties, and collection procedures, ensuring that clients fully understand and acknowledge their financial responsibilities. At the same time, institutions should strengthen their collection systems by adopting proactive strategies such as timely reminders and structured follow-up mechanisms to minimize delays and prevent accounts from becoming delinquent. In addition, improving cost-effectiveness using digital tools or automated receivable management systems is recommended to reduce operational burden and improve efficiency in monitoring and collection activities. For future researchers, it is recommended to explore deeper behavioral and contextual factors affecting customer compliance, as well as to examine the impact of technological innovations and alternative financial performance indicators to further validate and extend the findings of this study.

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### How to Cite This Article

Limpiado JG, Beroy BB, Elao SMD, Benotong MG, Butalid CME, Menor TB. Assessing the relationship between accounts receivable management practices and financial performance among financial institutions in Bukidnon. *Journal of Frontiers in Multidisciplinary Research*. 2026;7(1):435–444. doi:10.54660/JFMR.2026.7.1.435-444.

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