ABSTRACT

It is the age of competitive environment; most of the business firm follows lenient credit policy, to protect their market share and to retain their customers. Credit plays a strategic role, on the one hand it enhance sales volume of the business on the other hand excessive granting of credit without determining the financial strength of our credit applicant (customer), may leads to illiquidity problem. So, only sound credit management approach can ensure success in this environment. Credit analysis is actually risk analysis. Proper evaluation of risk regarding credit granting decision becomes very important before the commencement of sales because once the credit is accepted by creditor organization of its credit applicant, servicing and loss mitigation technique can control the future losses only to a limited extent. If the decision at the initial stage is taken after weighing pros and cons of the situation then transition to subsequent stages take places smoothly. In this study we focus our concentration on liquidity, profitability and capital adequacy with the help of Bathory’s – ‘risk description model’. It is our modest attempt to show that improve credit worthiness in terms of high credit score helps the firm to reduce its working capital requirements.

KEY WORDS: Capital adequacy, Cash Management, Creditworthiness, Credit score, Liquidity, Profitability, Risk Description Model,

REFERENCES

BOOKS


**ARTICLES**