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CASH COLLECTION IMPROVEMENT PROJECT

Receivables control

Thesis

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ABSTRACT

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<p>The purpose of this thesis was to implement a cash collection improvement project for Company X. The research problem was how to implement receivables control effectively. The objective was to investigate and become knowledgeable of the matters that affect the effective receivables control based on the research materials. The scope of the research was limited to the corporate debt collection perspective in Finland. The research and collection methods literature consisted of timely topics related to the process, such as legislation related to debt collection, temporary amendments to legislations, acts, reports, research, surveys, statistics, releases, and articles.</p> <p>The research results obtained in the thesis are significant for those working in debt collection and receivables control to be aware of the relevant legislation related to debt collection. This ensures that companies know how to operate correctly and by defined regulations. The debt collection's success depends on several factors, of which the most important can be considered a real interaction between the parties in ascertaining overdue receivables. In these cases, professional and friendly personalized service guarantees the continuation of the customer relationship. As companies handle debt collection themselves, the company should invest in an automated receivables management program and care of up-to-date processes. According to related research on receivables control, in the results, it became apparent that systematically monitored and utilized receivable indicators are necessary for the business's continuation.</p> <p>The author's financial management project objectives were to retrieve Company X's overdue receivables and create a credit controlling process. During the collection, the author found out the critical root causes related to overdue invoices, which were necessary for the collection process's success, and observed the problems in invoicing from the level of both automated and manual. By focusing mainly on finding out overdue receivables causes, a process related to the collection was improved, and Company X's receivables were retrieved more rapidly. The outcome of the cash collection improvement project was to implement a report called Reasons For Overdue Invoices. The report includes issues, immediate corrections, root causes, suggested corrective actions, why, and effects. The report also included the responsibilities areas of the teams regarding cash collection. Another outcome of the project was a credit controlling process and determining policy guidelines for the company to be used in the future. The described cash collection improvement project is confidential.</p>		

<p>Key words Cash collection improvement project, debt collection, indicators on control of receivables, legislation related to debt collection, receivables control</p>

CONCEPT DEFINITIONS

AI

Artificial Intelligence

BIS

The Business Information System

DCA

Debt Collection Agencies

DUNS

Data Universal Numbering System

ABSTRACT

CONCEPT DEFINITIONS

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1 INTRODUCTION

Financial management services are digitalizing fast, including electronic collection services. Simultaneously, company's payment delay volumes are rising, and consequently, receivables management and debt collection have become a part of everyday life. Alternatively, the company can collect overdue receivables by themselves, but usually, collection services are outsourced to agencies such as debt collection services, lawyers and law companies, banks, or accounting companies. Outsourcing the debt collection service does not entirely remove collection work from the company but significantly releases its resources for other development tasks and allows the company to focus on its core business functions.

When companies outsource debt collection services, they do not need to become familiar with the debt collection process or related debt collection legislation. Whether the company or outsourced debt collection service is provided, the target is to help customers cope with open invoices as quickly and solution-focused as possible. The company's cash flow may be industry-dependent or seasonal, so open receivables or unexpected expenses should not risk its liquidity. Some companies can cope with late payments without significant problems, but exceptional situations can have severe consequences for the entire business for other companies. Consequently, the adverse effects on business development can multiply and affect profitability if the company does not have enough funds to pay its invoices. This can easily lead to a sequence of events and hence an increase in the number of bankruptcies.

The customer service tends to be more personal in smaller companies and disclosing payment delays with the customer can feel challenging. Therefore, the company can decide not to do a collection in order to keep the customer. The company desires and needs to make new deals and focus on core business. Collection may not be possible due to insufficient resources, and previous receivables may not retrieve. These aspects can lead a company to buy a debt collection service from outside the company. The corporate customer may delay the payment of the invoice for several reasons. Before a company or outsourced collection service starts collecting an invoice, it is essential to ensure the validity of the invoice and the exactness of the content. Causes of corporate customers' payment delays can be, for example, the absence of an original invoice, the company's worsening financial situation, unwillingness to pay, insolvency, slow invoicing process, or undeveloped process.

Human errors can likewise occur at to the sender of the invoice, in which case the reason may be, for example, inaccurate handling of the invoice or the invoice does not match the contract, or an error or missing details due to the system, in which case the invoice payment is not transferred automatically to the receiver's system. Therefore, the corporate customer should also not pay an incorrect or unjustified invoice in fear of collection costs or a payment default note. In these cases, professional and friendly service guarantees the customer relationship's continuation even when clarifying unfortunate matters.

The research process of the thesis started by getting familiarized with the related legislation to debt collection and receivables control. The research problem was how to implement receivables control effectively. The objective was to investigate and become knowledgeable of the matters that affect the effective receivables control based on the research materials. The scope of the research was limited to the corporate debt collection perspective in Finland. The research and collection methods literature consisted of timely topics related to the process, such as legislation related to debt collection, temporary amendments to legislations, acts, reports, research, surveys, statistics, releases, and articles.

The thesis topic arose from my previous work experience in demanding financial management department positions, such as developing invoicing systems and automating the invoicing system. In this regard, my financial management department project objectives were to retrieve Company x's overdue outstanding receivables and create a credit controlling process. Thus, the thesis' empirical part consisted my previous work experience and observations in the cash collection improvement project. The project background, implementation, and results are presented in chapter 4. The described cash collection improvement project is confidential.

2 LEGISLATION RELATED TO DEBT COLLECTION

Debt collection is regulated by the Debt Collection Act (in Finnish: Laki saatavien perinnästä 22.4.1999/513), which defines suitable collection methods and prevents inappropriate debt procedures (Laki saatavien perinnästä 18.1.2013/31, § 4). Debt collection refers to attempting to persuade the debtor to pay the creditor's debt by voluntary collection (Laki saatavien perinnästä 21.1.2005/28, § 1). Debt collection involves all creditors' activities after the invoice's due date and aims to have the debtor settle outstanding debts without the legal collection (Willman 2019, 13).

The Debt Collection Act governs corporate debt collection, and corporate receivables are generally referred business-to-business trade receivable. When collecting the overdue receivable, corporate debt collection is targeted to the company, sole trader, association, housing company, or tax group. The Debt Collection Act does not consider as part of debt collection in the case of indebtedness to court proceedings, a realization of the pledge, using the right of the readmission or collection by a bankruptcy proceeding. (Willman 2019, 15.)

The Debt Collection Act is a so-called secondary general law, and it can be applied only to the extent that is not otherwise elsewhere provided by the law (Lindström 2014, 224). Outsourced debt collection service providers are most commonly debt collection agencies, lawyers, law companies, banks, and accounting companies. The most significant, by far, is a debt collection agency. Lawyers and law companies perform collections for their clients. These assignments can be substantial in volume, or receivables can be controversial, while collection agency assignments focus on more minor receivables and so-called mass collection. (Willman 2019, 13.)

In a corporate debt collection, a statement of payment behavior can be made before the debt collection activities are visible to the debtor. The debt collection agency shall ascertain the debtor's financial situation. Based on this, the collection agency selects the appropriate collection method for the specific assignment (Perintäalan yritysperinnän käytäntösäännöt 2019, 3). A professional debt collector should require that the original creditor gives only legally justified receivables to the collection, but the assignment mandate has no general liability to clarify receivables correctness in advance (Lindström 2014, 227). Debt Collection Act restricts the opportunity to delegate certain public law receivables to an external agency; for example, enforceable title, state as a creditor, should not be given to the mandatory (Lindström 2014, 241).

Debt collection activities can only be executed by a trader or a legal person, listed in the register of debt collection activities of the Regional State Administrative Agency of Southern Finland. The Regional State Administrative Agency controls collection agencies, and it can intervene in inappropriate collection operations by using coercion (Perintäalan yritysperinnän käytäntesäännöt 2019, 2–3). The register also contains information on those that have been prohibited from doing debt collection activities without registration (Laki perintätoiminnan harjoittajan rekisteröinnistä 1.6.2018/411, § 5). Registration is not required for collecting inside the same company group and to a random collection of demands, which is not advertised. Collection without registration can be performed, for example, by a lawyer, because the control of these collection activities is organized in other ways. (Regional State Administrative Agency 2021.)

Debt collection activities shall not be contrary to a good collection practice or contain unacceptable conduct towards the debtor. Collection activities must approach responsibly to agreed payment arrangements. In debt collection activities, the debtor must not be given incorrect information about the consequences of non-payment, or cause unnecessary inconvenience to the debtor, unreasonable costs, compromise privacy protection, and collect obsolete or extinct demands. (Laki saatavien perinnästä 18.1.2013/31, § 4.) The debtor is not obliged to pay the collection costs if the creditor has proceeded contrary to the good collection practice or against the Debt Collection Act (Hietala, Järvensivu, Kaivanto & Kyläkallio 2020, 574).

Suomen Perimistöimistöjen Liitto investigates critical issues in the legislation and makes proposals and statements to the authorities. The purpose of the Suomen Perimistöimistöjen Liitto services is to develop the Debt Collection Act further and consider the union members' and their customer's benefits. One of the main tasks of the Suomen Perimistöimistöjen Liitto is to give statements related to good debt collection methods and simultaneously develop them while considering all stakeholders. (Suomen Perimistöimistöjen Liitto ry 2021.) Perimistöimistöjen Liitto has described an as a practice rules, Perintäalan yritysperinnän käytäntesäännöt, which is approved by the board and it contains recommendations for the debt collection companies (Perintäalan yritysperinnän käytäntesäännöt 2019, 2).

For example, Lowell Suomi Oy's collection process describes, how unpaid invoice proceeds in the corporate debt collection process (FIGURE 1). Lowell Suomi Oy (formerly Lindorff Oy) aims to help consumers and companies with invoicing and collection, and credit decision-making and serves in Finland for over 50 years (Alma Talent 2019; Lowell Suomi Oy 2021b).

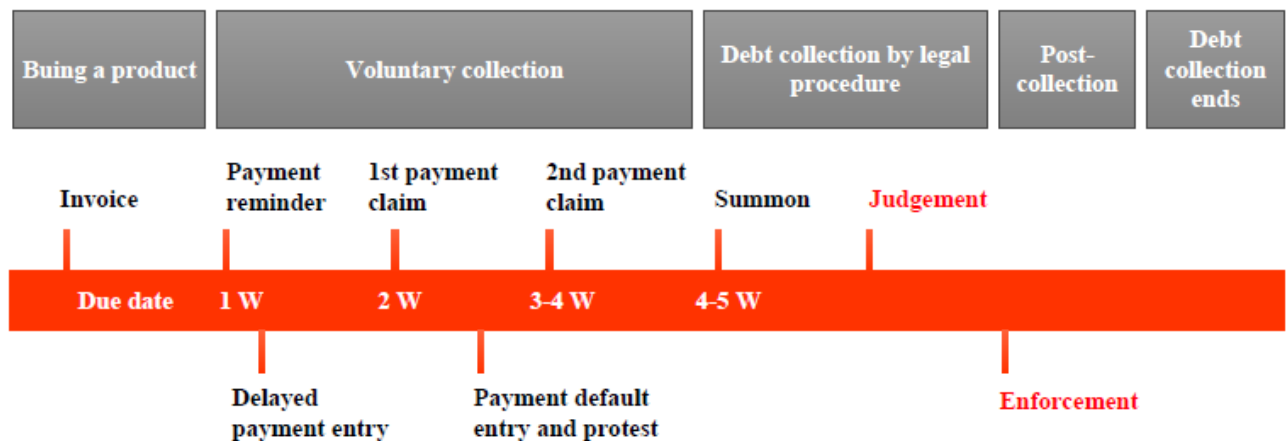


FIGURE 1. Corporate debt collection process (Lowell Suomi Oy 2021a, chapter "Miten perintä etenee?", paragraph "Yrityasperintä")

For example, in Sweden and Norway, debt collection requires authorization and must be carried out according to the good collection practice. Means of debt collection activities that cause harm, inconvenience, or pressure are prohibited. In both countries, debt collection cost limits are set in regulations. (Lindström 2014, 222.)

2.1 Temporary amendment to Debt Collection Act

Debt Collection Act related to a temporary amendment entered into effect on 1.1.2021, expires on 30.6.2021. Temporary amendment to Debt Collection Act is applied during this time to the collection activities. (Visma 2021c.) The purpose of the temporary amendment to debt collection acts was to relieve the situation of companies in financially challenging situations, and regulation is needed because several companies have cash flow difficulties due to the Covid-19 pandemic (Ministry of Justice Finland 2020).

In the temporary amendment to the Debt Collection Act, the collection activities and corporate collection costs will be regulated more precisely than before. According to the legislation, which was a force before 1.1.2021, collection costs are based on the work performed in the corporate collection. Temporary amendment to the Debt Collection Act has an expense ceiling denominated in euros. The maximum cost of a payment reminder for a corporate receivable has been set at EUR 10. It refers to the payment reminder sent both by the creditor and by the debt collection agency. Maximum amounts have been set for the demand for payment, extending the payment period, and expenses regarding payment agreements for corporate receivables. Demand for payment and payment agreement costs are determined according to the primary receivable. The use of draft is only allowed if the debtor is not a general partnership, a private entrepreneur, or a limited partnership. During the temporary amendment to the Debt Collection Act, the draft can be used only if the debtor is a limited company. Publication of the draft is restricted to small and newly established limited companies. (Intrum 2020.)

Maximum amounts have been set for the costs arising from the draft and the costs of a demand for payment with bankruptcy threat. Collection activities are limited in time so that the collection activities in the corporate collection have to have at least seven days in between them. For example, a demand for payment can only be sent seven days after the initial payment reminder was sent. Furthermore, the temporary amendment to Debt Collection Act includes the total liability for collecting company receivables and the maximum amount of entitled collection costs. (Intrum 2020.)

2.2 Voluntary debt collection

The debtor company's unpaid receivables can be collected by letter, telephone, email, and draft in the voluntary collection. Negotiations regarding payment agreements are an essential part of a voluntary collection (Visma 2021f). The primary mandator in debt collection is the creditor, and the majority of debt collection activities are handled as part of the companies' and communities' Financial departments. Usually, collection operations are routine activities and operate automatically according to a company's defined credit policy (Willman 2019, 11). In collecting corporate receivables, promptness of the collection activities can be paramount to secure the creditor. Therefore, the collection is not considered against good collection practices only because the debtor must pay immediately. (Lindström 2014, 226.)

The payment plan intends to commit the debtor to manage its outstanding debt voluntarily. The payment plan is always negotiated on a case-by-case basis, considering the solvency so that the plan is realistic. The main target is always to agree on a payment plan if a one-off payment is impossible on the original due date or by postponing the due date (Perintäalan yritysperinnän käytännesäännöt 2019, 8). Making a realistic evaluation requires considering the exact situation of the debt, income, and other relevant factors regarding the debtor's solvency. The payment plan is intended for the debtor to pay the debt, not charge additional costs or postpone the collection. (Willman 2019, 236–237.)

The number of payment plans is not limited to the corporate collection, but payment arrangements must be treated responsibly. If the debtor does not follow the payment plan, it can be terminated. The consequences of the default and any additional costs must be communicated to the debtor when the payment plan is agreed upon. It should be noted that providing a payment plan is not obligatory. (Perintäalan yritysperinnän käytännesäännöt 2019, 8.)

If the debtor has a justification to dispute the obligation to pay, continuing the debt collection is not allowed, in which case the collection matter will be assigned to a court. It is still possible to continue collecting if the debtor is not raising grounds for the denial or appeal to the justification that does not affect the debtor's obligation to pay. (Hietala et al. 2020, 574.) The debtor may also only partly dispute the obligation to pay, in which case the collection can continue to the extent that the receivable is not in dispute (Lindström 2014, 264).

2.2.1 Payment reminder

A payment reminder is a written document that recalls the unpaid invoice and encourages to pay it. It can be, for example, an invoice that has an additional remark “reminder” in it (Hietala et al. 2020, 573). According to the Perintäalan yritysperinnän käytännesäännöt, as a practice rules, there are no content requirements for a payment reminder so that it can be submitted freely in written format, verbally or electronically (Perintäalan yritysperinnän käytännesäännöt 2019, 7). The payment reminder can be delivered to the debtor in a different permanent way, such as an e-invoice address if that method has been used during the debt collection relationship. The payment reminder must be addressed to the correct debtor to the company entered into a debt relationship. In addition to the payment reminder, telephone collection can be used, or it can be done by text message. Such a procedure is usually free of charge for the debtor and common in business-to-business debt collection. (Willman 2019, 94–95.)

A payment reminder is a good and cost-effective way and should be sent immediately after the invoice is due. For example, it would be advisable to wait seven days after the due date, when the company can be sure that payment has not been paid (Visma 2021f). The payment reminder's informativeness makes it easier for the customer to identify the receivable and speeds up the payment process. There are no payment deadlines set for the payment reminder, and its due date can be immediate. (Perintäalan yrityspäätösuositukset 2019, 7.)

It should be noted that the payment reminder does not cause a payment default entry to the company, but if the debtor is not in contact with the creditors, the debt may proceed to the collection agency. As the collection progresses, the risk of payment default entry will increase, resulting in collection costs. (Visma 2021f.) Therefore, in the payment reminder, it is good to state that the receivable will be assigned to the collection agency if the receivable is not paid by the stated date (Hietala et al. 2020, 573).

2.2.2 Demand for payment

A demand for payment is sent to the customer if the debtor does not react to the payment reminder, and the debtor must be notified of the default and further action in demand for payment (Visma 2021d). A demand for payment is a written demand, and in addition to the legal demand for a payment letter, the debtor can also be contacted by telephone, email, or text message. The purpose of these is to have a conversational connection to resolve a matter as soon as possible before the next steps in debt collection. (Axactor Suomi 2021a.) The demand for payment can be submitted to the debtor in another way if, after the due date of the receivable, the debtor has agreed to submit notifications concerning the receivable (Laki saatavien perinnästä 18.1.2013/31, § 5).

The demand for payment shall contain at least the following information (1-7 points):

- 1) the name and address of the creditor
- 2) the basis for the demand
- 3) a specified amount of the capital, interest rate, default interest, and collection costs of the receivable
- 4) the required total amount
- 5) to whom, how, and when the open receivable must be paid

6) the possibility for the debtor to submit remarks on the amount and basis of the demand and the time within which the annotation must be submitted; if the debt to be collected is directly enforceable, the demand for payment contains information to the debtor of the availability of the legal support such as demand and of the possibility of applying for a deferral of payment

7) to whom remarks must be submitted, if the chargeable is a public entity demand, the demand for payment must also clearly indicate the public department's contact details or person to whom the debtor can assign annotations on demand for payment. (Laki saatavien perinnästä 18.1.2013/31, § 5 a.)

If the debtor has the right to request the suspension of debt collection and assign the matter to the legal collection, the demand for payment must include informing this right, how requested the discontinuing, and the legal effects of the request (Hietala et al. 2020, 575). If a different name is used for the creditor than in the original agreement on which the receivable is based, the creditor's initially used name must also be indicated in demand for payment. When collecting an assigned debt, the demand for payment must also state the original creditor's name. If the basis for calculating interest is not mentioned in demand for payment, the debtor must be informed that the debtor has the right to be informed on interest determination. (Willman 2019, 152.)

2.2.3 Public disclosure of debt information

The draft, as a public disclosure of debt information, is a payment reminder with a threat to negative publicity and is mainly used by debt collection agencies and banks. The draft will be sent to the debtor at the request of the creditor. The draft is a typical collection letter, but it contains a threat of publishing the collection and non-payment of the invoice at Suomen Asiakastieto Oy, which leads to credit information entry. Another option is to ask for a so-called silent protest, in which case the matter will not become public, but it will be registered of Suomen Asiakastieto Oy. (Hietala et al. 2020, 575.) Public protest means a procedure in which the occurrence of default is published in Taloussanommat and Kauppalehti (Willman 2019, 174). The draft can use only debt collection actions when an invoice is overdue, straightforward, and undisputed. Directly enforceable receivables are considered undisputed in this section if the debtor has no ground to appeal or uses some other comparable legal remedy. The draft can be submitted in writing, but it may also be submitted if the debtor has agreed after the due date to submit the receivables notices in the agreed way of communication. (Laki saatavien perinnästä annetun lain väliaikaisesta muuttamisesta 17.12.2020/1069, § 7.)

The draft cannot be sent until the debtor has been given or sent a payment reminder with the following notification, stating at least a seven-day time limit for the demand's payment or submitting observations on demand, and this period has expired. The draft can be notified or published in the credit information register but not earlier than ten days after sending it. (Hietala et al. 2020, 575.) The draft is not allowed to be reported or published as a note in the credit information register if the debtor company submits a statement before announcing or publishing the draft, that according to the recently ended fiscal year revenue or the equivalent income is less than EUR 100,000 or the first fiscal year is ongoing (Laki saatavien perinnästä annetun lain väliaikaisesta muuttamisesta 17.12.2020/1069, § 7).

The draft is part of the voluntary collection and is a more reliable method of collection. There is a special responsibility of care involved in using the draft. The draft also has an obligation to liability towards the debtor for the damage caused by the incorrect note. The special responsibility of care requires that the debtor's accuracy must be verified before sending the draft. (Perintäalan yritysperinnän käytäntesäännöt ry 2019, 10.) Hietala et al. (2020, 578) state that the draft is a weak collection method nowadays because the debtor's dispute is enough to justify the inability to use the draft, which means that the creditor must take the collection matter to court.

2.2.4 Demand for payment with bankruptcy threat

Demand for payment with bankruptcy threat is part of the corporate debt collection methods and voluntary debt collection. According to the good collection practice, demand for payment with bankruptcy threat consistently applies to the current Bankruptcy Act and complements Debt Collection Act. The procedure requires that the receivable is indisputable and clear. Threatening bankruptcy means a threat to the debtor by ending their business. Demand for payment with bankruptcy threat will be chosen based on case-by-case and after special consideration. (Perintäalan yritysperinnän käytäntesäännöt 2019.)

If the debtor argues that the demand is not apparent and gives justification, even defective ones, the demand for payment with bankruptcy threat will not succeed. The invoice receivable is not indisputable and clear without acknowledgment from the debtor. Demand for payment with bankruptcy threat must be given to the debtor by provably. A bailiff is often used, or another provable method. Notification can be accomplished in such a way that the debtor signs the payment reminder as received and takes the signature of an unobstructed witness. (Hietala et al. 2020, 592.)

A bankruptcy application is a severe collection method, and its suitability should be assessed in consideration with the good collection practice. After the application for bankruptcy has been arranged in the district court, the information will be given to the credit information companies, and the company will have a note in the credit information. Credit information notes can cause significant problems for a company's day-to-day activities, as buyers, creditors, competitors, and the media follow these changes. Credit information notes may lead to the company being required to make advance payments or transitions by cash. (Willman 2019, 16.)

The temporary amendment to the Bankruptcy Act (in Finnish: Laki konkurssilain väliaikaisesta muuttamisesta 30.4.2020/291) entered into effect on the 1st of February 2021, and it will be valid until the end of the 30th of September 2021 (Finlex 2021). The purpose of the temporary amendment to the Bankruptcy Act is to ensure that companies are not set bankrupt whose insolvency can be remedied after the end of the Covid-19 pandemic (Parliament of Finland 2020). According to the temporary amendment to the Bankruptcy Act, non-compliance to the demand for payment with bankruptcy threat causes presumption of insolvency if the debtor has not paid the clear and overdue receivable within 30 days. Usually, the deadline for the payment period is one week. (Finlex 2021.) After this, the creditor can file for bankruptcy in court, and non-payment creates a legal presumption that the debtor is insolvent (Perintäalan yritysperinnän käytännösäännöt 2019, 11).

2.3 Debt collection by legal procedure

If the voluntary collection does not provide the wanted results, it is possible to continue collecting by legal procedure. The legal procedure usually involves two main steps, which are legal proceeding and enforcement (Niemi 2014, 172). The legal procedure's primary purpose is for the debtor to pay the debt or draw up a payment agreement with the creditor. The legal procedure is usually initiated only after all actions of the voluntary collection have been exhausted. The speed of debt collection is also emphasized in legal procedure. The sooner the collection begins, the more probable it is to secure the creditor's receivable (Lindström 2014, 291). Voluntary collection of an entirely private business can continue, even if it is pending in the district court. In this case, it must be noted that unnecessary costs for the debtor do not incur in the voluntary collection. (Perintäalan yritysperinnän käytännösäännöt 2019, 16.)

The legal procedure should only be started after careful consideration. The creditor should research the debtor's past payment behavior, providing information on the debtor's most effective collection method. The creditor should remember that all the debtor's defaults are not in the companies' register that provides credit information. For example, settlements confirmed by the district court are not listed in the registers of companies that provide credit information. The enforcement could contain tens of thousands of euros in receivables, even though credit information notify that the debtor is non-default. Thus, the creditor can only get specific information about the debtor's solvency from the debtor's bailiff. (Lindström 2014, 292.)

The legal proceeds from the dispute's outcome to the verbal preparation, the main proceedings, a judgment or confirmation of an understanding, summons or written preparation, and a one-sided judgment. The judgment given as a conclusion of the proceedings makes the debt an enforceable ground for enforcement; the bailiff can, at the creditor's request, foreclose the amount of debt on the debtor's property, salary, or pension. (Niemi 2014, 172.)

It may be challenging to succeed in the legal procedure if the debtor has serious default notes. The number of receivables in payment default and seriousness are crucial factors. The impediment for lack of means is private persons and entrepreneurs' serious payment default, informing a creditor that the legal procedure may not be successful. When choosing a legal procedure, the type of payment defaults must also be taken into account. It is crucial to choose a method of collection for which the debtor has no previous experience. Payment default entry means that the debtor has not paid the debt during the legal procedure. The creditor suggests repeating the legal procedure method, which has been successful in the past. Information on the debtor's payment defaults can be received from the credit information companies' credit registers. It would be more critical to receive information on how other creditors have successfully collected their debtor debts than default information. For example, large debt collection agencies often have important information about the debtor's past payment behavior. The most successful legal collector knows and is familiar with the debtor's financial situation, previous payment behavior, and collection history. (Lindström 2014, 292.)

The creditor may accomplish the legal procedure themselves or through an authorized representative. The creditor should use a representative who specializes in debt collection cases. These representatives are debt collection agencies and law companies specializing in debt collection. There must be an evaluation concerning the collection amount related to the collection costs when starting a legal procedure. (Lindström 2014, 293–294.)

If the receivable is small, there is no reason to start the legal procedure without acknowledging the debtor's wealth. The legal procedure is not advisable if legal proceedings' costs may increase to the amount of the capital receivable. As a general rule, the debtor is responsible for legal proceedings' costs if there are grounds for collection and the debtor is not insolvent (Lindström 2014, 294). Credit loss marking can be necessary when the customer applies for legal reorganization, bankruptcy, or the fact that the customer has been declared insolvent in the enforcement. The reason for credit loss may also be due to the unsuccessful collection and related information about the debtor's insolvency. (Tomperi 2020, chapter 7, paragraph "Luottotappiot".)

2.4 Post-collection

Post-collection is usually initiated when it is noticeable that the debtor cannot currently pay the invoice, even during the enforcement authority's actions. Post-collection ensures that the debt does not expire. At the same time, the improvement of the debtor's solvency is controlled (Visma 2021b). Sometimes debt collection needs long-term work, and the receivable can be retrieved after the debt has been marked as a credit loss. Thus, the receivable can be retrieved when the financial situation of the debtor allows it. (Ropo Capital 2021.)

If receivable is not subject to the active collection during the post-collection phase, the receivable can be assigned for post-collection during the voluntary and legal procedure. After the credit loss is marked, the assigned mandate usually receives a value-added tax (VAT) refund, but it does not create taxable income. If the receivable is possible to collect later, revenue will be marked as an income again. Post-collection is only beneficial to the creditor, and its costs are agreed upon between the creditor and the assigned mandate. (Uuva 2021.) Post-collection is the argot of collection agencies, and there is no separate section of legislation on this matter (Karskela 2021).

3 RECEIVABLES CONTROL

Receivables control refers to identifying completely unpaid invoices or evaluating overdue invoices, and minimizing risks related to these. The purpose of receivables control is to provide more accurate basis for extensive and secure transactions and better manage the cash flow (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 2). Without systematic receivables control and debt collection, part of the company's profit can be fully accumulated. In companies where receivables control is not systematically monitored, knowledge of the current financial situation may be incorrect or insufficient. (Visma 2018.)

Receivables control should be separated into its measurable entity independent from the company's other financial management. In this way, the challenges of receivables control can be addressed in more detail, and the items to be reviewed are easier to develop. In order to improve receivables control, the measurement process will begin with the definition of the current situation, setting the targets, and selecting the appropriate indicators. Setting clear goals for developing receivables control and identifying relevant references helps the company evaluate the results and select suitable measures. When looking at cost-effectiveness and setting a goal, it is essential to decide how many resources one is willing to use per customer, such as making a payment plan and ensuring solvency. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 7–8.)

Determining receivables control is a necessity for both small and large companies. Receivables control presents a significant role in generating financial results and creating a good corporate image. A professional and organized receivables control process enhances the company's profitability and ensures that the company's reputation remains good. The receivables control process can be improved by choosing the right indicators, and conscious measurement can significantly improve the company's results. Measurement is the interpretation of history and realizations. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 3.)

Saatavienhallinta 2021 -tutkimus (2021), receivable management research implemented by Visma, notes that 68 percent measure the success of receivables control by using some indicators from the participating companies. The most significant indicators are the number of credit losses (44%) and the number of overdue invoices (43%). The results reveal that only about 17 percent of companies measure the success rate of debt collection. (Visma 2021e.)

When considering outsourcing or automating receivables control, one consideration was how do customers react to those actions. The research notes that 35% of companies that use automation noticed that the customer experience has improved to some extent or very much. In addition, companies (51%) that utilize automation perceived that it has positively affected personnel satisfaction. (Visma 2021e.)

Automated receivables control means that the automatic sending of payment reminders, payment control, and collection measures are managed in the company's financial management software. Saatavienhallinta 2021 - tutkimus (2021) also states that automation of payment reminders is more common than debt collection procedures. Although automation has increased significantly over the years, its utilization is still relatively low. (Saatavienhallinta 2021 - tutkimus 2021, 12–13.) The key results of the research Saatavienhallinta 2021 - tutkimus, conducted in 2021 are presented here (FIGURE 3).

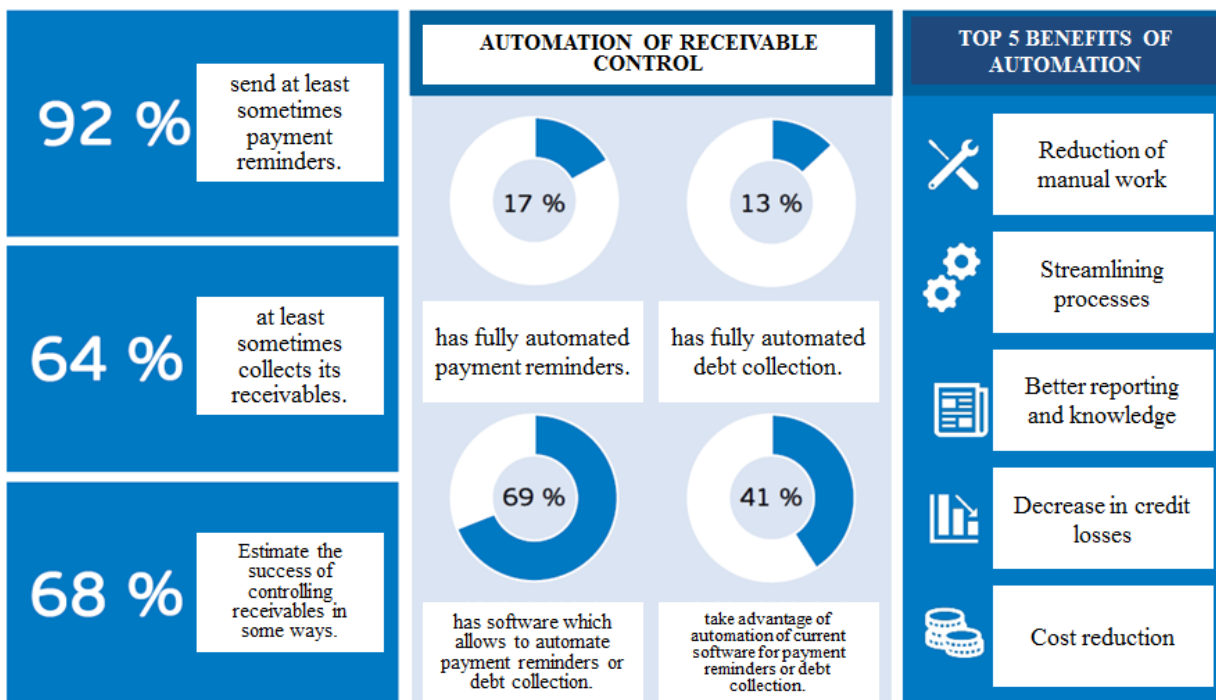


FIGURE 3. Automation of receivable control (Saatavienhallinta 2021 - tutkimus 2021, 6)

The research results indicate a slightly unexpected fact that 31% of the responding companies informed that the existing financial management software does not allow sending automated payment reminders or performing debt collection (Saatavienhallinta 2021 - tutkimus 2021, 20).

So-called gentle credit control can occur when payments are intentionally made late by the customer. Customers should not be trusted too much in a quickly changing world, as yesterday's success may become bankrupt tomorrow. If the customer is treated gently, the customer may pay off the debt a few weeks or even months later. (Havumäki 2018.)

The late-paying customer identifies those companies whose overdue invoices are not being penalized, and their invoices are paid only after those companies with systematic receivable control. Overdue invoices which have been sent without notice will free the customer from additional costs, and the customer can complete the original invoice without any penalties. If the invoice that has exceeded the due date does not require default interest, the customer will have an interest-free loan, i.e., a free payment term. It is also essential to realize that the efficiency of the invoicing service is based not only on processing late payments but also on bringing posture to the original invoice. By bringing posture, the customer sees information about the original invoice from the company providing the invoicing service as a payment controller, which significantly affects the customer's payment behavior. (Näin laskutuspalvelu nopeuttaa yrityksesi rahankiertoa -opas 2020, 9–10.)

Perintätutkimus (2020), debt collection research implemented by Visma, states that kindness and clarity are essential in debt collection. In principle, debtors expect to contact and clarify the situation with the client before conducting any collection actions. The companies aim to communicate clearly to the debtor and to serve kindly in collection situations. Particularly important in corporate debt collection are the factors that consider the customer's history, offer a flexible payment arrangement, and negotiate the situation before marking a payment default. In addition, the choice of a collection agency is most influenced by the flexibility and efficiency of the processes. One of the essential criteria is that the collection company's service adapts to the customer's financial management processes. (Perintätutkimus 2020, 23–26.)

In addition to a letter, companies can remind the customer of an overdue invoice by email or text message to reach the customer quicker (Kontioperintä 2021a). Furthermore, there are now a wide variety of outsourcing options available. Employees can be hired to perform specific work steps, for example, by telephone or through other ways. The various work steps involved in invoicing, payment processing, and debt collection are everyday responsibilities for the financial management of companies and organizations, which are outsourced. (Willman 2019, 63–64.)

Concerning overdue receivables, collection agencies can offer, among other things, the following services:

- postal service, i.e., the minor sending of payment reminders
- sending payment reminders, automated as part of the outsourced management of accounts receivable
- sending payment reminders from the client's material
- customer service and performs processing related to the above work actions (telephone, email, social media)
- debt collection by voluntary or judicial procedure (Willman 2019, 64–65.)

Willman (2019, 67–68) similarly states the benefits of outsourcing as above in terms of the added value it provides, which results from the other party implementing the service more efficiently and at a lower cost.

The most common telephone collection is in a corporate collection and in situations where the receivable is unclear or the amount of capital is significant. The advantage of telephone collection can be personal contact with the debtor, which is estimated to be a more effective way of obliging the debtor to pay voluntarily than an impersonal, written payment reminder. On the other hand, the most considerable challenge for telephone collection has been identified as reaching the debtor. In the telephone collection, the interaction must be matter-of-fact and respectful. A suitable collection method must be taken into account at the time of collection, so collection or telephone collection, for example, on public holidays, early in the morning or late in the evening, which causes unnecessary inconvenience, should not be carried out. (Willman 2019, 96–97.)

It can also be considered as an unnecessary disadvantage that it is difficult to contact the debt collection agency or its creditors, for example, with limited contact information. According to established collection practices, telephone collection can be carried out from Monday to Saturday from 7 am to 8 pm. A similar guideline can be applied to text messages or other collection that generates attention. (Willman 2019, 71.)

3.1 Indicators on control of receivables

Measuring the current time and interpreting history are useless unless the information is also used to plan future business. The measurement of material issues and the better practices developed based on them guide the control of receivables in the desired direction. It is advisable to measure the management of receivables with several indicators. Perintätutkimus [2020] research states that significantly uses more than one indicator of receivables control improves the success of credit activity. The company should use financial and customer behavior indicators and utility companies and experts to select appropriate indicators. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 9 Perintätutkimus [2020]). Bisnode Finland published the e-book, Viisi askelta tehokkaampaan saatavien hallintaan (2020), which reviews the steps to better receivables control. Bisnode is an expert in high-quality data. The area of specialization is to produce business credit information and market information that helps customers make better decisions (Bisnode Finland 2021e).

The first step is to invest in the right customers and reduce the risk of credit losses with an organization-wide credit policy. Being interested in a company's services or products is not enough; potential customers must also pay for them. This means that high-risk deals can be ended, but good opportunities are not lost due to uncertainty about the solvency of potential customers. The second step recommends identifying safe and stable customers; the type of company tells the customer's primary risks. One of the basic requirements for evaluating risks is to know the business partner. In addition, it is crucial to understand and identify the meanings and conditions of the company type in control receivables, as the risks associated with those variables. Therefore, it is necessary to be aware of the risks to be considered or even avoided. For example, partnerships such as a private trader, general partnership, or limited partnership will make financial statements unusual. In this case, checking the financial state requires information provided by the entrepreneur, such as tax information. The company's business ID always remains the same, even if its name changes. Its international equivalent is the DUNS (Data Universal Numbering System) number, making it easier to identify a location or company. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 4, 6–7.)

The background of the international system operates Dun & Bradstreet, which has created a unique DUNS - numbers for more than 265 million companies. The numbers help the customer understand the companies' organizational structures and describe how these companies are connected within the group. (Bisnode Finland 2021a.)

The third step is to review customers' credit information, which provides a basis for evaluating creditworthiness. Credit information gives a comprehensive picture of a customer's financial ability to pay company invoices on time. Credit information includes the following information: solvency, age/industry, finances, and owners/management. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 8.)

Other reasons for default entry may include unpaid taxes, one-sided judgments, foreclosure attempts, or bankruptcy. If a company pays its bills slowly, it may be due to a deteriorating financial situation. This is precisely what the payment method index describes, so it is an excellent tool for evaluating creditworthiness. The payment method index is based on cooperation with large companies that share information on customers' payment activities. In addition to this, it tells whether the customer's payment behavior is becoming slower or faster and how it works compared to the industry average. In addition, debts in foreclosure should also be checked. A company registered in the preliminary tax withholding register must inform and pay social security contributions and taxes. If the company does not fulfill its obligations, the tax administration will remove it from the register. This is a clear sign that the company is experiencing liquidity difficulties or poorly manages the finances. In addition to these, information about the company's management is necessary for the creditworthiness evaluation. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 8–9.)

The following may be considered warning signs: 1) the company does not have a board or is not qualified, 2) the whole board has changed, 3) high turnover of board members, 4) the personal history of board members; whether members have payment defaults, overdue debts, or bankruptcies. The reasons for the above and the situation of the company should be thoroughly reviewed. The most crucial measure of creditworthiness is the company's financial statements. In addition to these, it is worth looking at the company's various key figures such as 1) Quick Ratio, short-term solvency, 2) Equity ratio, long-term solvency, 3) Net gearing, 4) Return on equity (ROE), and 5) Return on investment investments (ROI). The limited company must prepare annual financial statements, which become a public document to the Finnish patent and registration office. An important point to consider is that if the audit report commissioned by the company is negative or contains a reservation, the bankruptcy risk is higher. Added to this is the change of auditor, which is an obvious warning sign. Furthermore, although a company has a group name, it is essential to remember that it does not necessarily belong to a group and note that if a parent company is in a weak financial position, it is unusually able to help a subsidiary. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 10–11.)

The fourth step is to follow customers' changes and develop customers' financial situation to control. Following the customer can be done by retrieving the customer's credit information, in which case a good option is to take advantage of the following automatic service. The credit control service repeatedly sends information about the customer's financial situation and its development. Credit losses of 80% are due to old customers, so it is crucial to control customers routinely and exploit systems. The control services provide information on significant changes and issues related to credit rating changes, payment defaults, bankruptcies, credit rating changes, name changes, or changes of board members. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 12.)

The fifth step is to analyze the distribution of credit risk across the entire customer base. It is also important to be aware that the risk may be different based on geographical location. Taking this into account gives a better picture of the risks and helps to identify possible measures. In addition, it may be suitable for a company to think about whether it would be worth giving up on a customer. How many have a stable credit rating or a problematic C credit rating, and how many overdue payments occur in these groups? (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 13.)

Visma has also published the guide, *Saatavien hallinnan mittaaminen ja kehittäminen (2020)*, and it reviews similar indicators for better receivables control. Visma is the leading IT consulting and business software provider in the Nordic countries (Visma 2021a). One of the most common indicators of receivables control is the number of credit losses, which has also been noted above. The significance of a credit loss as a measure is explained by its finding directly in legal accounting data. In addition, it is a clear and concrete measure. The amount of credit losses also indicates the result of the credit transaction planning. Therefore, forecasting, estimating, and budgeting the amount of credit losses already at the planning stage of credit activity is imperative. It is also worth noting that a company without credit losses does not necessarily indicate a good credit transaction. The company, which does not produce any credit losses, is unlikely to increase to the maximum. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 8–11.)

The number of overdue invoices can also be considered as a simple measure of receivables control. This can be clarified quickly by getting open invoices from the sales ledger that have not yet been paid and whose due date has been exceeded. The amount can be measured in euros or units and compare to the total invoicing volume. In addition, the overdue invoice due dates can be measured as an average or median to the number of euros and the number of invoices. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 11.)

Using the above information can determine how much a company could receive on average as compensation for late payment interest incurred. In addition, the status of the receivable can be reported, i.e., whether the customer has been reminded from an open invoice or whether the invoice has been assigned to debt collection. This information can be compared to the receivables control process, and it can be ascertained whether the invoices have been controlled by the actions specified in the company's collection process. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 11.)

The circulation rate of account receivables realizes the average payment time after which the money is received after the invoice is sent to the company's cashier. The importance of the indicator is emphasized when there is a lot to be invoiced. The circulation rate of account receivables can be improved by critically analyzing the invoicing process and identifying the points that cause late payment. For example, the invoice delivery method, the interest rate charged, and the automation of the debt collection process can be reduced by reviewing and abbreviate the circulation rate. The success percentage of the debt collection indicates the effectiveness of the collection. Furthermore, the success percentage indicates how much, in whole or in part, of the total capital assigned within a certain period to be repaid or collected to the debt collection company can be retrieved. (Saatavien hallinnan mittaaminen ja kehittämien 2020, 12.)

Contrarywise this, a customer leaving or permanence brings a larger perspective to the receivables control process. For example, combining the success percentage of the collection with the measurement of the persistence of customers who have transferred to the collection provides more comprehensive information on the collection's success. Measuring the customer experience of the collection brings a qualitative perspective alongside the quantitative indicators of receivables control, as the starting point must always be a good collection experience. (Saatavien hallinnan mittaaminen ja kehittäminen 2020, 13.)

3.1.1 Payment delay information

Payment delays are unpaid invoices that have been assigned to debt collection (Intrum 2021b). Payment delays can be seen as a key figure that can predict a company's payment difficulties or even bankruptcy. Payment delays are also an early indicator of changes in a company's creditworthiness, and the deteriorating economic outlook similarly indicates that payment delays in several different industries are observed simultaneously. (Bisnode Finland 2021c.)

Therefore, payment delays must be interpreted on a sector-by-industry basis, and the length of the payment delay often depends on the industry. In some situations, late payments become typical industry way. In other industries, payment delays may be more common, but payments are although processed. Payment delays may therefore be due to the invoicing process or its immaturity.

(Yritysrapportti 2021.)

Unpaid invoices create a chain of events that is reflected in the operations of multiple companies. As payment delays increase over a more extended period, the economy may drift into recession, and the number of bankruptcies may start to rise. When looking at Finnish companies, payment delays growth has been moderate, but the situation may change weekly. (Bisnode Finland 2021c.)

Senior Business Manager Tero Almi from Lowell on Alma Talent's blogs (2019) states the same as above that individual payment delay information can arise if the processing of a customer's purchase invoices progresses slowly. Big money rolling in business-to-business and can also cause significant credit losses. Due to this, the company should check the customer's solvency and payment delay information in advance. Accumulating and repeated payment delays usually anticipate changes in a corporate customer's solvency. Alma Talent produces content for supervisors and management, law, and finance professionals. (Alma Talent 2019; 2021.)

For its part, Alma Talent receives payment delay information from Lowell, which has collected data for indisputable receivables that are more than seven days late from the due date. The payment delay information is based on the previous day, and the delay information consists of collection data. The payment delay entry is stated to last as long as the payment is open and will remain for six months from the date of payment. The payment of the invoice will also be marked. (Alma Talent 2019.)

Intrum reveals that their payment delay register, the customer sees the weakened solvency of companies earlier than from the financial statements or public payment default registers. This allows a customer to catch weak payers up to months before it appears in other public information. The payment delay register contains information on invoices that have been collected and, in addition, are currently open. (Intrum 2021b.) Intrum's concern purpose is to help consumers pay off their debts and businesses to get their payments (Intrum 2021e).

Bisnode collects real-time payment method information from Finnish companies in cooperation with Dun & Bradstreet, a global company data provider, through the Paydex program. A Paydex figure describing the payment delay is calculated for the company based on the payment method information. The Paydex figure tells how many days after a corporate customer is likely to pay their invoices after the due date. (Bisnode Finland 2021b.)

Those companies with an advanced credit policy and credit control can track payment delays even by industry. Indications from them may mean that the company's financial position is worsening. As a result, the seller may have to tighten the terms, require an advance payment, or require collateral (Willman 2019, 174). Intrum implements quarterly late payment delay research and explains (TABLE 1) how many companies are directed to debt collection quarterly. There were 335 066 companies in the research data during the research period and 19 299 companies (5.76%) had late payment delays. The relative share of the companies with late payment delay has decreased by 11,26% percent from the year before. (Intrum 2021d.)

TABLE 1. Payment delay research results Q1 2021 (Intrum 2021d)

	2021 Q1	2020 Q1	Change
Companies in the research data	335 066	327 854	+ 2,20%
Companies with late payment delay	19 299	21 280	- 9,31%
Share of companies	5,76%	6,49%	- 11,26%

Intrum press release (2021) published in January stating that the relative share of companies with late payment subscriptions in 2020 Q4 has continued to decrease but slower than before. The number of debt collection orders between companies also fell low of last year. Sales and Marketing Director Juha Iskala from Intrum states the low level of payment delays is due to the economic downturn and more extended payment periods than usual. (Intrum 2021c.)

3.1.2 Payment default entry

A payment default entry is an entry in the credit information register that indicates that the company has repeatedly failed to pay an invoice or debt. A payment default entry can come, for example, if the debt is assigned to the legal procedure after voluntary debt collection and the district court issues a judgment in the matter. The payment default entry is entered in the credit information register and is currently valid for 2-4 years. (Intrum 2021e.)

In the debt collection of corporate receivables, the company can obtain a default entry before the legal proceedings without a district court's judgment. In this case, it is called draft collection and draft marking (Intrum 2016). The payment default entry is, therefore, a serious default. Shortening the registration periods would prevent the creditor from getting essential and relevant information about the customer's financial risk, which would increase credit losses. The most common registration time nowadays is three years. Suomen Asiakastieto continuously processes factors affecting the company's credit risk from a large set of data. In Finland, the registration times for defaults are relatively short compared to the other Nordic countries. (Suomen Asiakastieto 2021a.) Suomen Asiakastieto data overview is presented here (FIGURE 2), payment defaults statistics for the year 2020.

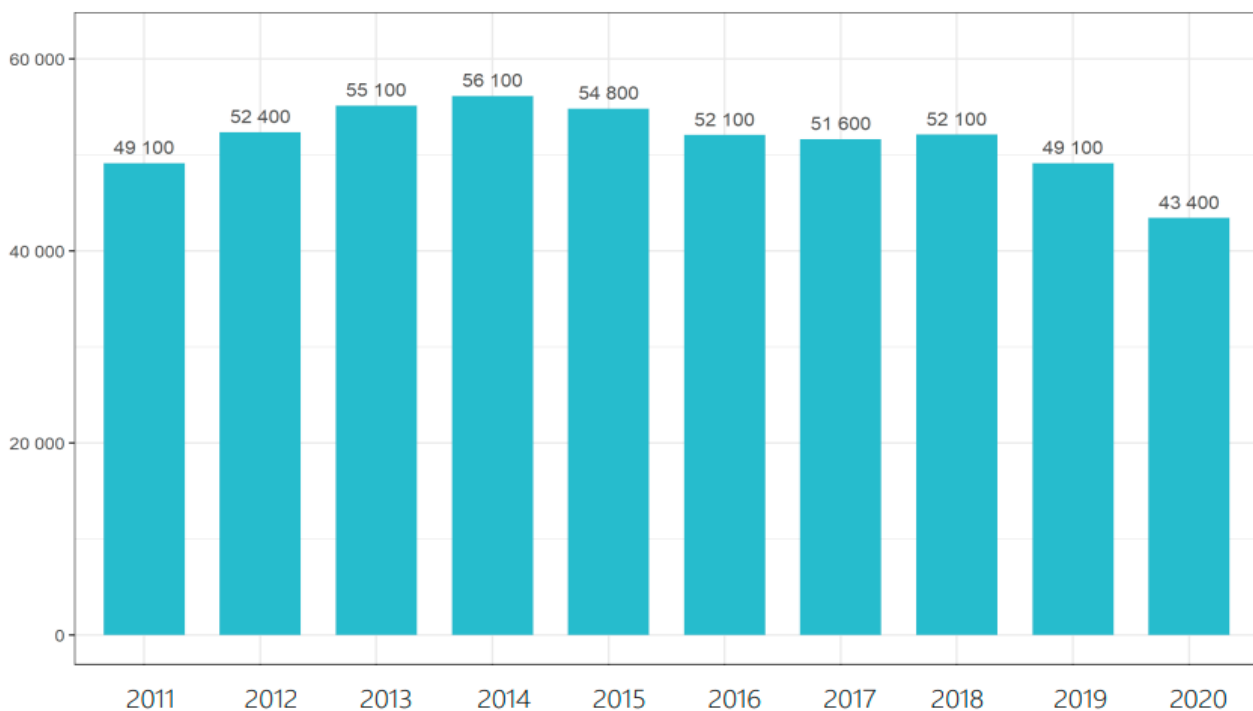


FIGURE 2. Companies with payment defaults 31.12.2011-2020 (Payment Default Statistics 2020)

The payment default entry is not removed right after the customer has paid the debt. The default entry disappears when the time specified for it has transpired. Avoiding payment default entry can be done by agreeing to pay the debt or paying the debt by the due date, or following a pre-agreed payment schedule. (Intrum 2021e.)

According to Kontioperintä (2021b), as a debt collection agency, payment default entries can be avoided in addition to the above by invoicing the company's receivables quickly and paying taxes and statutory payments. The tax collector is not an agreeable party if payments are not made on time. The default entry does not come unexpectedly, as it only arises due to prolonged non-payment, and the company has been informed of the possibility of the entry in connection with debt collection. For example, exceptions to years-long default entries are entries from a bankruptcy or bankruptcy application, canceled within four months if the bankruptcy or application is canceled. (Kontioperintä 2021b.) It is also possible to obtain a Ref-entry in the credit information entered for an individual payment default entry, and it indicates that the debtor has finally paid the outstanding debt on which the default entry is based (Axactor Suomi 2021b).

Suomen Yrittäjät (2017), as a business community, raised issues in their article in the collection research published in 2017 by the debt collection company Visma Duetto Oy. The research stated that only a few small companies know how corporate collection differs from private collection. Corporate debt collection progresses faster when a company may receive a default entry, so the company always contacts the creditor immediately. A lack of information can have consequences in these situations, such as entering a company's credit information. (Suomen Yrittäjät 2017.) The same is stated in the Perintätutkimus (2020, 4) because most companies subject to debt collection are unfamiliar with the corporate debt collection method.

3.1.3 Payment method information

Payment method information describes a company's ability to consider its payment responsibilities within agreed payment periods (Willman 2019, 100). Following real-time payment method information is usually highlighted after the end of the financial year, as sudden changes in a company's payment behavior can indicate that the company's solvency or liquidity has decreased, either in the long or short term (Intrumlehti 2019).

Alongside the payment default entries, information on payment methods that better describes the current situation has become available. Many companies try to avoid payment default entries, which means that by simply following default information, negative changes in a company's payment behavior can only be known when the company's liquidity and solvency are insufficient. After that, it may no longer be possible to secure the company's receivables, even by changing payment terms. This leads to that many companies proceeding into either bankruptcy or corporate restructuring, with the result that their receivables may not be collected at all or those are subjected to significant cut. (Intrumlehti 2019.)

Payment method information is affected by positive notifications of prepaid payments and negative notifications of late payments, so-called payment delay information. It is possible to collect payment method information by the terms of the Credit Information Act (Axactor Suomi 2021b). For example, Suomen Asiakastieto's database of payment method data consists of payment delay data received from partners through the draft service and ledger data. Ledger information includes information on invoices paid and payment method information, both positive and negative. The suppliers of ledger data are service providers and suppliers in various fields and credit card companies. (Suomen Asiakastieto 2021b.)

The payment method information differs from the payment default entry information so that the information is not ready-made, and the registry administrator has to create it based on information received from different parties. To avoid invalid entries, it has been considered appropriate for the law to specify what information can use when a company creates data about payment method information. Payment method information can only be based on defaults on claims that are undisputed. (Lindström 2014, 24.)

Intrum has published the European Payment Report every year since 1998 and focuses on the risks related to companies' payment behavior in Finland. The European Payment Report 2020 research was implemented in 39 European countries between 14 February and 14 May 2020 and was published in autumn 2020 (European Payment Report 2020). When looking at Finland, the main findings of the results are that the risks of late payments related to receivables are expected to increase in the next 12 months, and the Covid-19 pandemic has significantly extended the actual payment period and payment terms. Besides, companies have to prepare for the recession by reducing workplaces. (Intrum 2021f.)

A survey of entrepreneurs (2021) commissioned by Suomen Yrittäjät and conducted by Kantar TNS shows that almost two out of five small and medium-sized companies, customer companies, and contract partners pay their invoices more slowly before. A year ago, in May 2020, the same was shown only about a quarter of the companies. The results also state that payment periods have been extended, especially by large private companies, but on the other hand, small companies also have extended payment periods compared to the year before. Tiina Toivonen, Head of Legislative Affairs, states in the press that the length of the one-sided payment period is not only related to the Covid-19 pandemic, this has been a problem for a longer time. Toivanen also states that it is wrong for small companies to serve as a bank for large companies. Act on Payment Terms in Commercial Contracts is not complied with and must be controlled. (Pellinen 2021.)

The survey was conducted between March 19, 2021, and March 24, 2021, and was answered by 1120 representatives of small and medium-sized companies. The research has been carried out as multi-method research. The purpose of the research was to determine the opinions and views of small and medium-sized companies related to the topic. Data collection was done by email survey and partly using the Gallup-Forum internet panel. Responses were received from the Gallup-Forum Entrepreneur Panel (101 responses), from the Bisnode business database by email survey (366 responses), and from Suomen Yrittäjät register by email survey (653 responses). (Kantar TNS Oy 2021.)

3.1.4 Payment method index

The payment method index describes the company's current payment behavior, which affects the company's credit rating. The payment method index appears on credit reports to reflect the company's average payment delay. Bisnode has launched its payment method information acquisition program in Finland as early as 1993. Its purpose is to collect real-time information on corporate payment behavior, which it receives from a partner. Real-time information on the customer's payment behavior is a possible early indicator of changes in the creditworthiness. The partners send their business customer information and related invoice information to Bisnode in a file format. The data is exported to the Bisnode business database, and based on the received data, the so-called Payment method index describes the average payment delay of the object. (Bisnode Finland 2021b.)

3.2 Credit policy

The draw and upkeep of a written credit policy is an essential part of the overall planning of a business regardless of the company's size. A credit transaction and the receivable-debt relationship arising from it can be conversed of when the work or goods are delivered before the intended payment. When a company decides on a credit policy, it can be assessed how significant credit risks can be taken. It is also essential to calculate how much the company will take credit losses in one or more financial years. The company's credit policy defines how credit trading can be conducted with risky companies based on the estimated total credit risk. (Lindström 2014, 4.)

Limiting too much of the credit policy can be challenging for low-risk companies, and too much risk can have fatal consequences, and it all depends on finding a balance between security and business opportunities (Bisnode Finland 2021d). The company's credit policy must also assess how much of the total risk can be represented by one customer or one industry at most. The company must also decide how extensive and credit information is used to make credit decisions. Based on the credit policy, it is possible to plan which companies will target sales efforts. (Lindström 2014, 4.)

The company's credit policy usually also defines invoicing-payment reminder and debt collection processes. Careful planning of the credit policy is essential for the success of a start-up company. An operating company, in turn, should regularly review the content of its credit policy and the need to update it for possible changes. The company's entire organization should be involved in planning the credit policy when objectives of the credit policy are common to all. (Lindström 2014, 5–6.)

The market is changing and with it the business of customers. Credit policy must reflect and live with this change. A clear credit policy gives support to the company staff and guidance on how to proceed. As a result, decision-making is speeded up, and it is easier for sales, for example, to know in advance what the potential margin is in the negotiation. It is also easier if the organization automatically receives information about the customer whose metrics are starting to alert. In this case, the matter can be reacted to, and the customer who may be in trouble can still be saved. (Suomen Asiakastieto 2017.)

According to the e-book, *Viisi askelta tehokkaampaan saatavien hallintaan* (2020), 70 percent of companies have a credit policy. Only 30% of them, on the other hand, have implemented it in the company's operations. Everyone who has to deal with credit policy must understand the content of credit policy and its impact on their work. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 4.)

Suomen Asiakastieto (2017) states previously regarding the sales, Viisi askelta tehokkaampaan saatavien hallintaan (2020) e-book emphasize the same point from the seller's perspective. For sellers, it is essential to know what kind of credit they can give to a customer because often, it is the sellers who are the first to contact the customer. It is also appropriate to consider whether different limits will be set for different customers. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 4.)

Credit policy can be based on the following questions and answers:

- What are the responsibilities and rights of the sales and finance department in the company?
- When are credit reports checked, and what kind of customers should be controlled?
- How often customers are invoiced, and how to send reminders?
- Is debt collection used? If used, then at what step?
- What action is used to alert customers?
- How much credit is given to customers and for how long? (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 5.)

Credit policy must also include realistic targets, such as shortening the actual credit period. In addition to the credit length agreed on the invoice, the credit period between delivery and invoicing times, which internal routines can often shorten, must be taken into account. It may also be possible to speed up payment by clearly informing the customer of the payment terms. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 5.)

3.3 Reliable and useful sources of information

Credit information from companies is based on information from public sources. Credit information is not confidential information and can be inquired about by anyone. Attached is a list of the most significant sources and information available from on those. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 9.)

The first is Business Information System (BIS) search contains information as an example company, community, or foundation, such as the company's legal status and the company's tax liability information (YTJ 2021).

The second is Statistics Finland, and it maintains the business register and enterprise group register. The business register contains all companies received from the Tax Administration with a business identity code, private traders, public entities, and non-profit organizations. The primary source of information in the enterprise group register is the consolidated financial statements submitted by companies to the Finnish Patent and Registration Office. (Statistics Finland 2021.)

The third one is Tax Administration, and it offers income and tax information (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 9).

The fourth is the National Land Survey of Finland (NLS) safeguards the land ownership and credit system by preserve information about properties and housing company shares in its registers and responsibility of ownership and mortgage registration (National Land Survey of Finland 2021). Besides, NLS provides information about the property owner, whether the property is targeted encumbrances, and information on the tax value of the property (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 9).

The fifth is the insolvency register published by the Legal Register Centre on the open information network is a free information search service. The insolvency register contains insolvency information and the debt restructuring register in the case of debt arising from the business activities of an individual and the bankruptcy, and corporate restructuring register. (Legal Register Centre 2021a.) The purpose of the Bankruptcy and Corporate Restructuring Register is to ensure the availability of information to the authorities and courts, protect creditors' interests, and safeguard the rights and interests of third parties. (Legal Register Centre 2021b.)

The sixth is the National Enforcement Authority Finland; enforcement is part of the judiciary system. Enforcement is the responsibility of collecting directly enforceable claims and enforcing judgments. (National Enforcement Authority Finland 2021.) The National Enforcement Authority Finland provides information on obstacles and information on long-term enforcement. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 9).

The seventh is Digital and population data service processes personal data to provide statutory services that support the functioning of society (Digital and population data service agency 2018).

Although the information is available, it also needs to be processed to make it usable and understandable. At this point, a credit information company enters the figure from which information, such as credit ratings or analyzes, is available. (Viisi askelta tehokkaampaan saatavien hallintaan 2020, 9.)

According to information received from Bisnode - A Dun & Bradstreet Company (2021), the credit registers of Bisnode and Suomen Asiakastieto Oy do not certainly differ concerning business information as authorities' registers are used as the primary sources of information. These are the Trade Register, the Business Information System (BIS) database (Finnish Patent and Registration Office and a Tax Administration common business and community information system), Statistics Finland, and the Legal Register Center and the Enforcement Agency. Also, concerning the information provided by the collection agencies, the databases are similar for the protested draft-default entries, as the companies share the information with each other on a contractual basis. In Finland, credit information activities are regulated by the Credit Information Act (in Finnish: Luottotietolaki 11.5.2007/527), and the supervisory authority is the Office of the Data Protection Ombudsman. The differences between Bisnode Finland Oy and Suomen Asiakastieto Oy come mainly from the differences in services, such as the information content of products and the different methodology of rating systems, and the construction of different data elements. (Bisnode - A Dun & Bradstreet Company 2021.)

3.4 Improving receivables activities

Receivables control can be significantly speeded up by invoicing as soon as the service is completed or every two weeks because, very often, invoicing is centralized until the end of the month or the beginning of the following month (Kanerva 2019). Receivables control and invoicing are an essential part of the customer path and, when handled with dignity, can be a significant source of added value for a company rather than its customers. Accommodate operations to customers in the best way with the right messages and the proper channels, improve customer experience, and speed up payment. (Arvato 2019.)

Act on Payment Terms in Commercial Contracts (In Finnish: Laki kaupallisten sopimusten maksuehdoista 18.1.2013/30) legislate that when the debtor is a contracting entity, the payment period cannot exceed 30 days. The payment term shall not exceed 60 days if expressly agreed and justified by the type or particularity of the contract. (Laki kaupallisten sopimusten maksuehdoista 18.1.2013/30, § 4.) If the debtor is a private trader, the payment period can exceed 30 days only if expressly agreed (Laki kaupallisten sopimusten maksuehdoista 10.4.2015/385, § 5).

The method of delivery of the invoice affects the probability of payment, as, for example, paper and email invoices are more often paid late or even not paid at all (Näin laskutuspalvelu nopeuttaa yrityksesi rahankiertoa -opas 2020, 5). E-invoicing is a cost-effective, fast, and environmentally friendly way. In addition to these, e-invoicing is secure because the sender and recipient of the invoice are always identifiable, and the invoice cannot be lost. In April 2020, a new law came into force, Act on Electronic Invoicing of Contracting Entities and Entrepreneurs (in Finnish: Laki hankintayksiköiden ja elinkeinonharjoittajien sähköisestä laskutuksesta 22.2.2019/241). (eTasku 2020.)

The law set new invoicing requirements on business-to-business trading. The law specifies that the private trader and the contracting entity have the right to receive an invoice from the private trader in the form of an electronic invoice upon request. If the company cannot submit the invoice electronically, the customer has the right to decline to pay the invoice. However, the company can choose to receive paper or email invoices. The e-invoicing law does not apply to companies with a turnover of less than EUR 10,000 and who make only consumer trade. (eTasku 2020.)

According to the TIEKE Finnish Information Society Development Centre (2021), Finns pay for online purchases with invoices, online payments from banks, payment cards, cash on delivery, mobile payments, or virtual wallets (TIEKE 2021). Most companies, communities, and authority agencies only accept e-invoices because they are cost-effective and secure. In addition to banks, there are numerous e-invoice intermediaries in Finland, and there are differences in their pricing. Differences also appear in how they fit into a smaller or larger entrepreneur and how they interact with different banks' systems. The easiest way for a start-up entrepreneur is to send an e-invoice through a bank. If an entrepreneur changes banks, it is important to check what archiving practices are followed. (Suomen Yrittäjät 2021.)

A company can protect its receivables by forecasting and developing measures to minimize damaging penalties, and these methods can be different pricing policies, deposits, or prepayments (Yritysrapportti 2021). The small additional charge is justified if the invoice requires an exceptional amount of manual work. Adding an invoicing fee to an invoice is a net margin worth making when the service would not have been possibly paid physically in cash. If the seller uses 30 days instead of 14 days as the payment term, the company must finance the VAT amount for two weeks, i.e., giving the payment period spent working capital. (Yritystulkki 2021.)

The faster a company invoices a product or service to a customer, the faster the company gets the money. It is also important to note that the payment period starts from the invoice date, as the VAT liability starts from delivery. When using a seven-day payment term for the customer, public holidays must be taken into account. In the case of a product, it can also be sold with a take-back condition, which means that the goods can be picked up if no payment does make. (Yritystulkki 2021.)

Profitbooks (2021) raises a small but significant issue regarding the wording used in the invoice. It is very important to pay attention to the fact that the content is polite and professional. It has been stated that friendly phrases can increase the probability of payment by five percent. Politeness also brings a positive image of the company. Giving a discount if the payment is made in advance can also motivate the customer to put the invoice ahead of other invoices. For example, it is common to offer a discount of one or two percent of the total amount if the invoice is paid before the due date. For example, 1% - net 30. Both parties, the company, and the corporate customer win. Prepaying improves cash flow and protects against potential losses. (Profitbooks 2021.)

Factoring and sale of receivables improve a company's position in a negotiation situation to offer better payment terms to its customers. It also means that the company will not receive the total value of the invoice in its account at any time. The idea of factoring and sale of receivables is primarily the same; the company can use the funds in the sales invoices earlier. Factoring and sale of receivables are worthwhile if the cashier does not receive the money, customers have long payment periods, but the company's expenses remain the same. In addition, a company's liquidity improves when money is not stuck in sales invoices. Factoring is a suitable option when a company has a lot of continuous orders for the same companies. On the other hand, the sale of receivables is a suitable option when the company urgently needs more working capital. (Bisnes.fi 2021.)

3.5 Artificial Intelligence in Debt Collection

Artificial Intelligence (AI) is proceeding its move into all sectors of our business and private lives. The debt collection sector is no different. Advanced AI technologies imply that it is impossible to make a virtual agent that can take on a real-time customer-facing role in debt collection and autonomously negotiate repayment. Artificial Intelligence is the leading word of today. In the most widespread sense, AI can be explained as developing computers and robots to do human responsibilities requiring intelligence to build human-like machines, collect data, and analyze data. The outcome is that AI can be used to describe almost anything. (Phillips & Moggridge 2019, 15–16.)

There is a massive amount of information flowing through the different communication channels in debt collections example, voice calls, text messages, social media, instant messaging platforms, and mobile apps, and manually analyzing this data is impossible. Hence, it is necessary to use technology that helps analyze and collect this information in an automated way to optimize debt collection. (Enghouse Interactive 2019, 3.)

AI eliminates routine and manual work, affecting power levels of work and automated decision-making. In financial management, routine work still takes up part of the working time, so the specialist can use the time saved for customer service and consulting work. AI can make observations that humans cannot. The machine can recognize different formulas, while human computation is limited. For example, a cash flow forecast is an old-fashioned way for human brains to calculate the coming of receivables from the due date, but not all customers pay invoices by due dates. (Phillips & Moggridge 2019, 16.)

It is impossible to make an accurate calculation with human capacity, especially with large customers. Instead, AI creates formulas from the data, calculates operating modes instantly, reads payment usage data, and creates a more accurate cash flow forecast based on these. Machine learning and AI offer limitless opportunities. (Laukkanen 2020.)

In the world of debt collection, the techniques used to collect and process “big data” to classify debtors and recommend actions constantly use AI and machine learning technologies. These solutions are growing and established. Those are usually back-office solutions used by credit management departments and Debt Collection Agencies (DCAs) to improve productivity or support company growth. (Phillips & Moggridge 2019, 16.)

In debt collection, information is the most valuable. Big Data Analytics serves to obtain the most critical information about the debtor. Simple information, such as behavioral considerations, demographics, or the time the debtor answers the call, will significantly affect how the debt collection call is managed. Big Data Analytics makes it possible to acquire and separate information about a single debtor. (Sumeru Entiger, 2017.)

An evolving application of AI in the debt collection sector is to build virtual agents for debt collection. Virtual agents are customer-specific and are already being deployed in other sectors (Phillips & Moggridge 2019, 16). A chatbot is a computer program that conducts a conversation via voice or text interactions. When connected with AI, chatbots can be made into powerful virtual agents. Some are capable of completing multiple tasks and exhibit human-like interaction. (Phillips & Moggridge 2019, 19.)

Advances in AI indicate that it is now possible to develop a virtual agent that can interact with humans and autonomously negotiate debt repayment. This is not an impossible dream, and work is already highly forward in this area. The human features it needs for debt collection means that the development program has needed to be built from the ground up to give the virtual agent. The result is a highly sophisticated virtual agent solution dedicated to debt collection with the ability to think and act like a human and think and act rationally. Like its human role model, the debt collection virtual agent needs to detecting vulnerability, be capable of detecting lying, and planning negotiation strategy. (Phillips & Moggridge 2019, 20–21.)

Debt collections authors must make decisions every day, particularly concerning which debtors will be called and how to do it. However, dedicating time and effort to analyze databases to prospect and manually dialing them and results are only a few customers contacted. This is why it is essential to realize technology to contact debtors intelligently. AI prevents negotiators from wasting time prospecting their databases to identify which debtors to contact. Furthermore, when AI connects with a powerful predictive dialer and voice-to-text recognition and transcription software, the result is a more significant number of debtors reached automatically and efficiently. The predictive dialer manages to call more contacts but does so with those willing to talk and ready to negotiate the debt and avoid answering machines and busy ringtones. (Enghouse Interactive 2019, 6.)

A virtual agent is a game-changer in the debt collection sector. It will profit the company, the process of debt collection, and the customer. For example, managers will notice it either as a powerful operational resource or strategic business asset at all business levels. Companies will manage higher debt volumes with existing employees' levels and have more adaptability when planning budgets.

(Phillips & Moggridge 2019, 23.)

Data collection automation in debt collections driven by and AI not only maximizes debt collection. It also increases the debtor's experience intelligently. Streamlining decision-making based on in-depth information regarding the debtor (Enghouse Interactive 2019, 3). Contacting debtors automatically and intelligently using AI increases contact rates. In addition, it increases the possibilities of debt being collected by connecting with the right person at the right time and giving a pleasing customer experience. (Enghouse Interactive 2019, 6.)

4 CASH COLLECTION IMPROVEMENT PROJECT (CONFIDENTIAL)

5 CONCLUSION AND DISCUSSION

As stated in the introduction, the research process of the thesis started by getting familiarized with the related legislation to debt collection and receivables control. The research problem was how to implement receivables control effectively. The objective was to research and become knowledgeable of which matters affect the effective receivables control based on the research materials. The scope of the research was limited to the corporate debt collection perspective in Finland. The research and collection methods literature consisted of timely topics related to the process, such as legislation related to debt collection, temporary amendments to legislations, acts, reports, research, surveys, statistics, releases, and articles. In addition, during work on this thesis, the collection methods included communications with different administrators, such as several debt collection agencies, credit information- and software companies, the Regional State Administrative Agency, the Prime Minister's Office, and the Ministry of Justice.

When familiarizing with related legislation to debt collection at the beginning of the research process, it was also necessary to give attention to the temporary amendment to acts, as these were valid when writing the thesis. When laws are used as sources, the high reliability of the sources can be stated. According to debt collection and receivable control, research and surveys have been published annually by notable companies so that the thesis could utilize relatively new information, and the conversation was formed between the sources used. The processing of different sources significantly supported the structure of the thesis. Therefore the materials planned to be used initially were also left out, and irrelevant information was removed.

The Debt Collection Act regulates debt collection, and debt collection refers to attempting to persuade the debtor to pay the creditor's debt by voluntary collection. The Debt Collection Act governs corporate debt collection, and corporate receivables are generally referred to as business-to-business trade receivable. Corporate debt collection in the case when collecting the overdue receivable is targeted to the company, sole trader, association, housing company, or tax group. Companies have their collection process, which could be divided into three main stages; voluntary collection, debt collection by legal procedure, and post-collection. Information on these areas and contents was collected from current literature and company-specific practices on the companies' websites.

Temporary amendment to the Debt Collection Act has been topical, and it has been easy to get information on those effects on corporate debt collection. When it comes to post-collection, it is the argot of collection agencies, and there is no separate section of legislation on this matter. An ethical perspective on the work was also obtained by addressing good collection practice. The research results obtained in the thesis are significant for those working in debt collection and receivable control to become familiar with legislation related to debt collection. This ensures that companies know how to operate correctly and by defined regulations. It is also essential for the company to be aware of how the corporate collection proceeds as both a creditor and a debtor. For the success of the debt collection, the most crucial thing that can be considered a real interaction between the parties is ascertaining overdue receivables, and the most effective of these is probably telephone collection.

Sending payment reminders in different ways can be a workable way and be seen as very positive from the customer's point of view as well, but simply sending polite payment reminders does not make the company aware of the reason behind the payment delays. Thus, other than contacting the customer by telephone, the customer may feel faceless and the automatic reminders schematic. In those cases, professional and friendly personal service guarantees the customer relationship's continuation. Information or knowledge regarding video connect of debt collection effectiveness has not been found yet, but this will probably occur in time. This could be a form comparable to bank loan negotiations in the form of video conferencing. As companies handle debt collection themselves, the company should invest in an automated receivables management program and care of up-to-date processes.

According to receivables control research results became apparent that foresight systematically monitored and utilized receivable indicators necessary for the business's continuation. One of the most common indicators of receivables control is the number of credit losses. It may come as a surprise, credit losses of 80% are due to existing, long-term customers, so it is crucial to control customers routinely, follow customers' changes and utilize systems. A simple receivables control indicator can also keep the number of overdue invoices. Without systematic receivables control and debt collection, part of the company's profit can be fully accumulated. If necessary, it is also worthwhile to use authorization when choosing indicators and when the company can take these factors into account, it has an exceptional ability to take into account changes in the customer before the situation ends with credit loss entries. Credit policy is an important part of receivables control and part of the corporate image, which is why it is worth keeping it up-to-date.

There are several ways to speed up the repatriation of receivables. The invoice should be created and sent as soon as the service is completed, instead of concentrating invoicing at the end of the month or the beginning of the following month. In other words, the faster a company invoices a product or service to a customer, the faster the company gets the money. It is crucial for a company to monitor its cash flow and create clear payment terms, thus avoiding many troubles. The company should try to negotiate the shortest possible payment term, but critically, it is challenging for small entrepreneurs to agree to extended payment terms, especially when their payments have to be made on a short payment term. The Covid-19 pandemic has significantly extended actual payment terms and conditions, but on the other hand, the phenomenon has been noticeable for longer. The method of delivery of the invoice affects the probability of payment, as paper and email invoices are more easily paid late. Therefore, it is also worth considering the properties of the Act on Payment Terms in Commercial Contracts and the Act on Electronic Invoicing of Contracting Entities and Entrepreneurs.

Receivables can also be protected by separate pricing policies, deposits, or prepayments. Giving a discount to a customer when the customer pays the invoice before the due date can motivate the customer to put the invoice ahead of others. Factoring and sale of receivables improve a company's position in a negotiation situation to offer better payment terms to its customers. As stated in the theoretical part, machine learning and AI offer limitless opportunities. Advances in AI indicate that it is now possible to develop a virtual agent that can interact with humans and autonomously negotiate debt repayment. Work is already highly forward in this area, so now we only wait with interest which company in Finland will start using a virtual collection agent.

Information on the customer self-service portal for companies can be found on websites, allowing users to find solutions themselves using the platform or software. A customer self-service solution practical is that it does not require an employee to help the user, reduce valuable resources, and automate the customer experience. The inclusion of self-service in the debt collection strategy should be seen as a new standard, as the customer wants to find the answers instantly and create a new payment plan instantly, which also improves the customer experience. The information about self-service portal utilizing in the corporate collection does not seem to be very easy to find, but this will possibly be seen in companies' range of corporate services in similar forms and possible further research topics.

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