

Accounts Receivable Management of Midea Group: An Empirical Analysis Based on Financial Ratios and Aging Structure

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Abstract

This study conducts a comprehensive analysis of accounts receivable management at Midea Group from 2019 to 2023. Utilizing financial ratio analysis, comparative benchmarking with industry peers (Xiaomi Group and Gree Electric), and aging structure assessment, the research identifies significant challenges in the company's receivables management. Key findings indicate a continuous expansion in accounts receivable balance, with growth rates frequently exceeding operating revenue growth. The proportion of receivables to operating revenue and current assets remains elevated relative to industry averages, signaling potential liquidity constraints and heightened capital occupation. Furthermore, the accounts receivable turnover rate is comparatively low, and the aging profile demonstrates a rising trend in longer-term receivables, accompanied by an increasing bad debt provision. These issues are attributed to factors including overreliance on credit sales for market expansion, lenient credit policies, inadequate internal controls, and customer credit risks. To address these challenges, the study proposes targeted recommendations such as strengthening customer credit evaluation, optimizing credit policies, enhancing collection mechanisms, improving internal management processes, and employing financial instruments for risk mitigation. Implementing these measures can enhance accounts receivable liquidity, reduce bad debt risks, and bolster the overall financial health of Midea Group, while offering insights for similar manufacturing enterprises.

Keywords: Receivable Management; Financial Analysis; Bad Debt; Credit Policy; Accounts Receivable Turnover; Aging Analysis

1. Introduction

Against the backdrop of increasingly fierce global competition in the home appliance industry and slowing market growth, enterprises have commonly adopted credit sales strategies to expand

their market share. However, lax credit policies and aggressive sales orientation are often accompanied by a rapid expansion of accounts receivable scale, leading to a series of financial issues such as increased capital occupation, rising liquidity risks, and growing bad debt losses. As a leading enterprise in the home appliance industry, Midea Group boasts a large business scale and an extensive sales network, making the efficiency of its accounts receivable management directly impact the security of its cash flow and its ability to sustain operations. Therefore, conducting an in-depth analysis of the current status, issues, and underlying causes of Midea Group's accounts receivable management is not only helpful in revealing its internal operational and financial risks but also holds significant reference value for other enterprises in the same industry.

Accounts receivable management is a critical component of working capital management for any manufacturing enterprise, directly impacting its liquidity, profitability, and overall financial health. As a global leader in the consumer electronics and home appliance industry, Midea Group's operational scale and market strategies inevitably result in a significant volume of accounts receivable. This paper provides a comprehensive analysis of Midea Group's accounts receivable status from 2019 to 2023. Through a detailed examination of financial indicators such as the accounts receivable balance, growth rate, proportion to revenue and current assets, turnover efficiency, aging structure, and bad debt provisions, this study identifies potential risks and underlying issues. Furthermore, a comparative analysis with industry peers, namely Xiaomi Group and Gree Electric, is conducted to contextualize Midea's performance within the competitive landscape. The analysis reveals challenges including an overreliance on credit sales, inadequate internal controls, and poor capital turnover. Based on these findings, the paper proposes strategic recommendations aimed at optimizing credit policies, enhancing collection efforts, and improving internal management to mitigate risks and strengthen the company's financial resilience (Smith, 2020).

The significance of this study is reflected primarily in two aspects: theoretical and practical. At the theoretical level, the multi-dimensional analysis of Midea Group's accounts receivable data over five consecutive years, combined with industry comparisons, contributes to enriching empirical research on accounts receivable management and provides case-based support for related financial risk warning models and theories on optimizing credit policies. At the practical level, this study systematically identifies issues and their underlying causes in Midea Group's accounts receivable turnover, aging structure, bad debt provisioning, and other areas, while proposing actionable recommendations for improvement. This not only provides a decision-making basis for Midea Group to enhance capital utilization efficiency and reduce financial risks but also offers valuable management insights and risk prevention measures for other manufacturing enterprises in terms of credit sales and accounts receivable management.

2. Case Overview

Midea Group is a global technology group integrating five major business segments: smart home appliances, building technologies, industrial technologies, robotics and automation, and

digital innovation. Adhering to the business philosophy of "creating a better life through technology," Midea Group has developed over more than 50 years into an enterprise with approximately 200 subsidiaries, 35 R&D centers, and 35 major production bases worldwide. Its products and services benefit around 400 million users across more than 200 countries and regions.

Midea Group's main products include a full range of home appliances such as air conditioners, refrigerators, washing machines, kitchen appliances, cleaning appliances, and small household appliances, as well as high-precision core components like compressors, motors, chips, automotive components, electronic expansion valves, frequency converters, servo and motion control systems, reducers, and cooling components. In the global market, Midea Group holds leading positions in businesses such as HVAC, consumer appliances, robotics, and automation.

3. Analysis of Accounts Receivable Issues at Midea Group

3.1. Current Situation

(1) Analysis of the Current Accounts Receivable Situation at Midea Group

According to the financial indicators of Midea Group's accounts receivable from 2019 to 2023 (Table 1), the balance of accounts receivable has been continuously increasing during this period. While both operating revenue and current assets at the end of the period also increased to varying degrees over these five years, the growth rate of accounts receivable outpaced that of operating revenue and current assets.

Based on a comparison of the growth rates of accounts receivable and operating revenue from 2019 to 2023 (Figure 1), the data shows that the growth rates of Midea Group's accounts receivable from 2019 to 2023 were 23.11%, 7.22%, 14.62%, and 16.46%, respectively. This may be attributed to the expansion of Midea Group's sales scale or the relaxation of its credit policies during these years. The negative growth in accounts receivable in 2022 may have resulted from strengthened management of accounts receivable or faster payment by customers. The slight increase in the growth rate of accounts receivable in 2023 may be due to an expansion in sales scale or an extension of customer credit terms.

In terms of operating revenue, the growth rates from 2019 to 2023 were 2.16%, 20.06%, 0.79%, and 8.18%, respectively. The significant growth from 2020 to 2021 may have been driven by an increase in Midea Group's market share in home appliances. However, the growth rate of accounts receivable saw a substantial decline from 2021 to 2022. This could be attributed to the impact of the pandemic, as reduced outdoor activities led to fewer opportunities for offline purchases of home appliances, while online purchases may have been hindered by a lack of product understanding, resulting in slower revenue growth.

Table 1. Accounts Receivable Financial Indicators of Midea Group, 2019-2023 (Unit: 100 million yuan)

Year	2019	2020	2021	2022	2023
Accounts Receivable Balance	186.64	229.78	246.36	282.38	328.85
Operating Income	2782.16	2842.21	3412.33	3439.18	3720.37
Ending Current Assets	2164.83	2416.55	2488.65	2610.99	2813.21
Accounts Receivable / Operating Income	0.0671	0.0808	0.0722	0.0821	0.0884
Accounts Receivable / Current Assets	0.0862	0.0951	0.099	0.1082	0.1169
Accounts Receivable Growth Rate	—	0.2311	0.0722	0.1462	0.1646
Operating Income Growth Rate	—	0.0216	0.2006	0.0079	0.0818

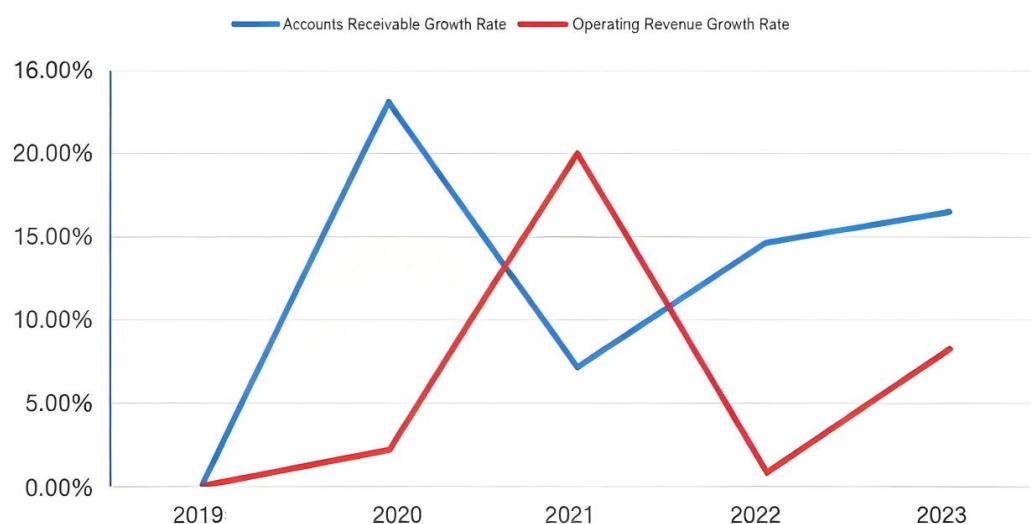


Figure 1. Line Chart Comparing the Growth Rates of Accounts Receivable and Operating Revenue for Midea Group, 2019-2023

(2) Analysis of Accounts Receivable Growth Rate

To gain a more comprehensive understanding of Midea Group's accounts receivable issues, examining Midea alone is insufficient to fully grasp the industry context. Therefore, a peer comparison approach has been adopted.

This study selects representative peers in the same industry, namely Xiaomi Group and Gree Electric, for a comparative analysis of various data points.

According to the Comparison Table of Accounts Receivable Growth Rates in the Same Industry from 2019-2023 (Table 2) and the corresponding comparison line chart (Figure 2), Midea Group's growth rate in 2020 was relatively close to the industry average. However, there was a significant decline in its growth rate from 2020 to 2021, followed by a slight increase from 2021 to 2023.

Compared to the other two companies, Midea Group's growth rate is closer to the industry average, with relatively stable fluctuations, placing it in the middle tier within the industry.

Xiaomi Group's accounts receivable growth rate from 2019 to 2022 and in 2023 has consistently been below the industry average, with a notably lower figure in 2022. Moreover, Xiaomi experienced a substantial negative growth rate in 2022.

Gree Electric's growth rate, as shown in Figure 2, exhibits significant volatility. Except for 2021, where the increase was possibly influenced by the pandemic—as heightened economic uncertainty may have led customers to delay payments, thereby increasing accounts receivable—its growth rate in other years remained below 10%, showing minor and stable fluctuations.

Table 2. Comparison of Accounts Receivable Growth Rates in the Same Industry (2019-2023) Unit: %

Year	2019	2020	2021	2022	2023
Midea Group	—	0.2311	0.0722	0.1462	0.1646
Xiaomi Group	—	0.491	0.7373	-0.3425	0.0373
Gree Electric Appliances	—	0.0264	0.584	0.0641	0.0851
Average	—	0.2495	0.4645	-0.0441	0.0957

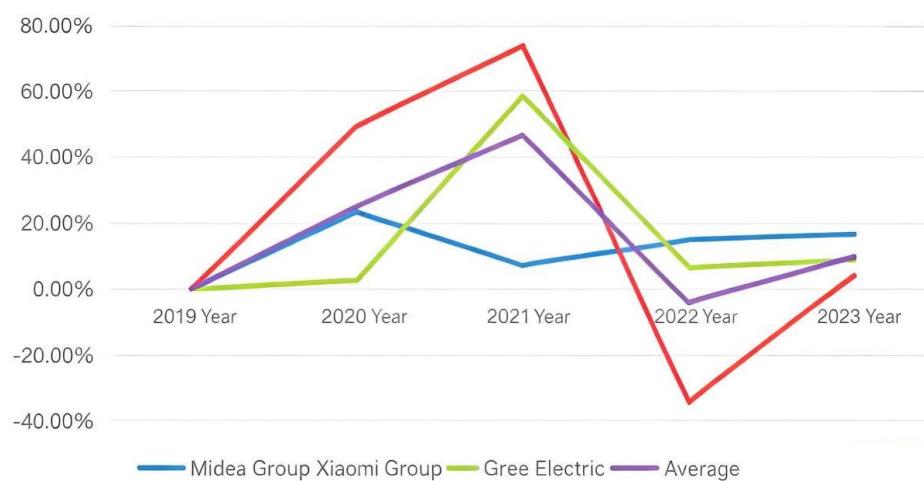


Figure 2. Line Chart Comparing Accounts Receivable Growth Rates in the Same Industry (2019-2023)

(3) Analysis of Accounts Receivable as a Percentage of Revenue

According to the Comparison Table of Accounts Receivable to Operating Revenue Ratio in the Same Industry from 2019-2023 (Table 3) and the corresponding chart (Figure 3), the following observations can be made:

From the perspective of the industry average, Midea Group's high operating revenue and large sales volume result in a relatively high proportion of accounts receivable to operating revenue. Compared to the industry average, Midea's ratio has consistently been significantly higher. In

contrast, Xiaomi Group's ratio has remained considerably below the average, indicating a substantial difference compared to Midea and positioning it at the lower end of the industry.

Except for a decrease in the ratio from 2020 to 2021, Midea Group experienced slight increases in other years. Although the fluctuation in the ratio is stable and has remained within 10%, it still positions Midea at a relatively high level within the industry. The growing trend in the scale of accounts receivable over the past few years may be attributed to the expansion of the company's sales scale or the relaxation of credit policies. However, this could lead to higher collection risks for Midea in the future, potentially resulting in difficulties in fund turnover and an increase in bad debt losses.

Xiaomi Group showed minor increases in the ratio from 2019-2021 and 2022-2023, with only a single decrease from 2021-2022. Between 2019 and 2023, Xiaomi's accounts receivable as a percentage of operating revenue fluctuated steadily between 3% and 6%, indicating relatively low capital risk.

Except for 2020, Gree Electric's ratio has remained close to the industry average with minimal fluctuations, suggesting that the company faces lower financial risks in the future.

Table 3. Comparison of Accounts Receivable as a Percentage of Operating Revenue in the Same Industry (2019-2023) Unit: %

Year	2019	2020	2021	2022	2023
Midea Group	0.0671	0.0808	0.0722	0.0821	0.0884
Xiaomi Group	0.0338	0.0421	0.0548	0.0426	0.0453
Gree Electric Appliances	0.0441	0.0812	0.0616	0.057	0.0679
Average	0.0483	0.068	0.0629	0.0606	0.0662

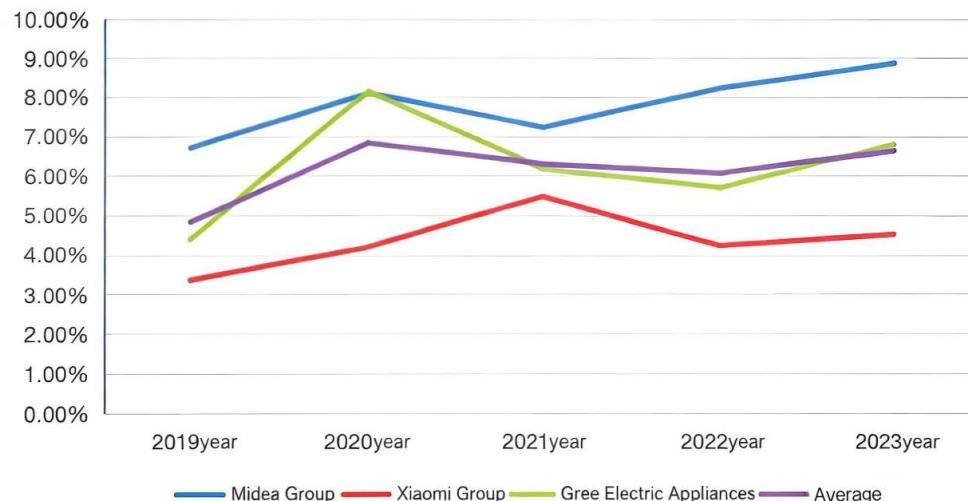


Figure 3. Accounts Receivable as a Percentage of Operating Revenue in the Same Industry (2019-2023)

According to Table 4 and Figure 4, it can be observed that over the past five years, Midea Group's accounts receivable as a percentage of current assets has been significantly higher than the industry average. Gree Electric, on the other hand, has remained close to the industry average except for 2019, while Xiaomi Group has consistently stayed below the average.

The excessively high proportion of accounts receivable at Midea Group indicates a gradual increase in the amount of capital tied up in business operations over the past five years. In contrast, Gree Electric has maintained its ratio at a moderate level, and Xiaomi Group has consistently remained below the industry average.

Therefore, within the same industry, a higher proportion of accounts receivable to liquid funds at Midea Group implies fewer available liquid funds for the company. This situation could lead to increased difficulties in capital turnover and potentially result in a breakdown of the company's capital chain. Such circumstances would directly cause challenges in fund circulation and could even lead to operational paralysis.

Table 4. Comparison of Accounts Receivable as a Percentage of Current Assets in the Same Industry (2019-2023) Unit: %

Year	2019	2020	2021	2022	2023
Midea Group	0.0862	0.0951	0.099	0.1082	0.1169
Xiaomi Group	0.0378	0.0408	0.0615	0.0433	0.0379
Gree Electric Appliances	0.0399	0.0409	0.0613	0.0581	0.0706
Average	0.0546	0.0589	0.0739	0.0699	0.0751

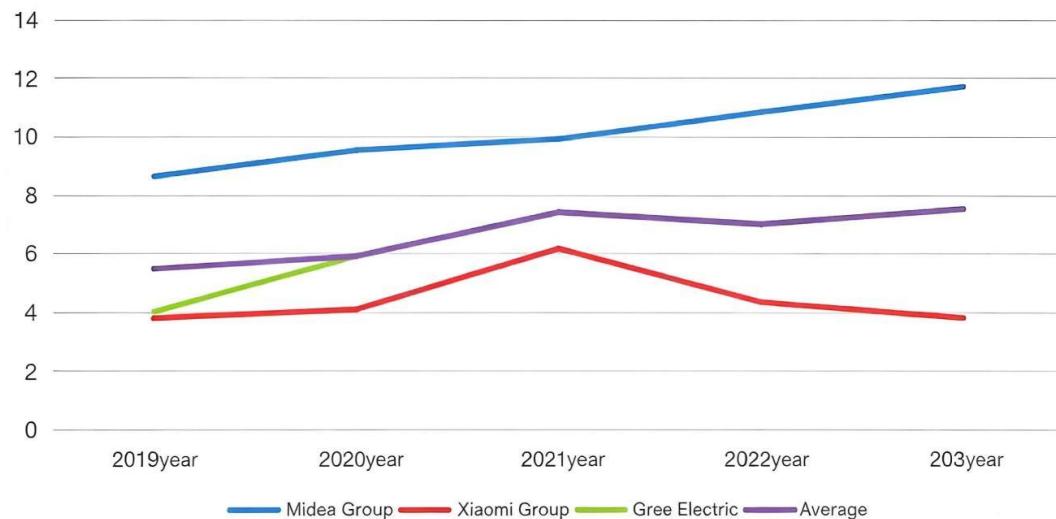


Figure 4. Accounts Receivable as a Percentage of Operating Revenue in the Same Industry (2019-2023)

(4) Analysis of Accounts Receivable Liquidity

Based on Midea Group's accounts receivable turnover data from 2019 to 2023 (Table 5), it can be observed that the accounts receivable turnover rate generally declined, except for a slight increase between 2020 and 2021. One contributing factor was the impact of the pandemic: in 2021, the turnover performance of accounts receivable in the home appliance industry was weaker than in the previous year.

Midea's accounts receivable turnover days showed a steady decrease from 2019 to 2020 and from 2021 to 2023. However, influenced by the pandemic, turnover days increased slightly in 2021 and 2022 compared to earlier years. Despite the return of cash flow, the company's collection speed did not accelerate, which led to reduced operating revenue and a decline in debt repayment capacity.

The accounts receivable turnover situation reflects the relatively poor quality of Midea Group's receivables. It indicates issues such as a low accounts receivable turnover rate, slow collection, large outstanding amounts, and overreliance on credit sales(Garcia, 2021).

Table 5. Accounts Receivable Turnover of Midea Group (2019-2023)

Year	Accounts Receivable Turnover (times per year)	Turnover Days (days)
2019	14.62	24.62
2020	13.72	26.24
2021	14.42	24.97
2022	13.08	27.52
2023	12.23	29.44

According to the Comparison Table of Accounts Receivable Turnover in the Same Industry from 2019 to 2023 (Table 6), it is evident that Midea Group's accounts receivable turnover performance has consistently remained below the industry average over the years. Gree Electric's turnover was close to the industry average from 2019 to 2020 but subsequently aligned with Midea Group's situation from 2021 to 2023. In contrast, Xiaomi Group's turnover performance has consistently exceeded the industry average, positioning it at a relatively high level within the industry.

Therefore, compared to its industry peers, Midea Group demonstrates a lower accounts receivable turnover rate, indicating a noticeable gap from the industry average and suggesting room for improvement in liquidity management.

Table 6. Comparison of Accounts Receivable Turnover in the Same Industry (2019-2023) Unit: %

Year	2019	2020	2021	2022	2023
Midea Group	14.62	13.72	14.42	13.08	12.23
Xiaomi Group	26.67	26.31	34.03	40.03	137.31
Gree Electric Appliances	24.44	19.5	16.64	13.27	13.26
Average	21.91	19.84	21.7	22.13	54.27

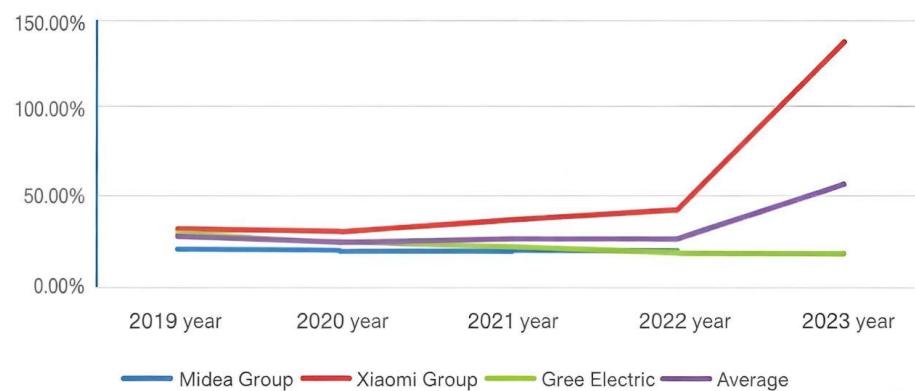


Figure 5. Line Chart Comparing Accounts Receivable Turnover in the Same Industry (2019-2023)

(5) Analysis of Accounts Receivable Aging Data

Statistics on Midea Group's accounts receivable from 2019 to 2023 reveal an overall growing trend. Between 2019 and 2023, accounts receivable within one year continued to increase. In 2019, the amount was 19,631,644 thousand yuan, which rose to 23,854,936 thousand yuan in 2020, representing a year-on-year increase of 21.51%. Compared to the previous year, the amount reached 25,495,619 thousand yuan in 2021, an increase of 6.88%. The growth trend persisted from 2022 to 2023. Over the past five years, the increase in accounts receivable within one year indicates that the company has increasingly relied on credit sales to boost revenue. This may also stem from poor management, resulting in a significant amount of uncollected receivables and prompting the adoption of aggressive sales strategies to capture market share. While short-term accounts receivable may enhance market share, they could also adversely affect the company's future performance.

Over the past five years, accounts receivable aged 1-2 years have generally shown an upward trend. The most significant increase occurred in 2022, which saw a rise of 865,878 thousand yuan, representing a growth rate of 574.73% compared to the previous year. This sharp increase suggests a substantial amount of uncollected receivables from the prior year and indicates lax management of accounts receivable.

Accounts receivable aged over two years have also exhibited an overall upward trend over the past five years, with the exception of a decline between 2019 and 2020. The consistent increase in this category indicates no signs of improvement in the company's operational efficiency.

Table 7. Aging Analysis of Midea Group's Accounts Receivable (2019-2023) Unit: Thousand Yuan %

Account Age	2019		2020		2021		2022		2023	
	amount	ratio								
Within 1 Year	19571891	0.9969	23755351	0.9958	25328056	0.9934	29382162	0.9936	34050002	0.9908
1-2 Years	42106	0.0021	87938	0.0037	184058	0.0072	150685	0.0051	1016563	0.0029
Over 2 Years	17647	0.0008	11647	0.0004	95306	0.0037	108557	0.0037	154160	0.0004
Total	19631644	1	23854936	1	25495619	1	29570582	1	34367460	1

(6) Comparative Analysis of Accounts Receivable in the Same Industry

According to the Comparative Analysis Table of Accounts Receivable in the Same Industry for 2023 (Table 8), approximately 90% of the company's accounts receivable are within one year. This indicates a significant proportion of short-term receivables, and the higher the percentage of receivables within one year, the greater the likelihood of collection.

Table 8. Comparative Analysis of Accounts Receivable in the Same Industry (2023) Unit: Thousand Yuan

	Project	Within 1 Year	1 - 2 Years	Over 2 Years	Total
Midea Group	Ending Accounts Receivable Balance (in ten thousand yuan)	34050002	1016563	154160	34367460
	Proportion	0.9908	0.0029	0.0004	1
Xiaomi Group	Ending Accounts Receivable Balance (in ten thousand yuan)	11295163	101560	156160	12467886
	Proportion	0.9859	0.0081	0.0125	1
Gree Electric Appliances	Ending Accounts Receivable Balance (in ten thousand yuan)	13969080.3	1399796.27	5357603.62	19592447
	Proportion	0.7198	0.0714	0.2735	1

In terms of accounts receivable aged 1-2 years, the industry average is 2.65%. Gree Electric exceeds this average significantly at 4.49%, positioning it at the higher end of the industry. In

contrast, both Midea Group and Xiaomi Group maintain ratios below 1%, with Midea Group having the lowest proportion among the three companies.

For accounts receivable aged over two years, Midea Group is the only company among the three that reduced its proportion of year-end accounts receivable balance, decreasing from 0.29% to 0.04%. The other two companies, Xiaomi Group and Gree Electric, both saw increases in their proportions. Xiaomi Group rose from 0.81% to 1.25%, while Gree Electric increased significantly from 7.14% to 27.35%, which could adversely affect their future development.

(7) Analysis of Midea Group's Bad Debt Provision Data

According to the Movement Table of Midea Group's Bad Debt Provision from 2019 to 2023 (Table 9) and the Trend Chart of Midea Group's Bad Debt Provision Movement from 2019 to 2023 (Figure 6), the following observations can be made:

Midea Group's bad debt provision amount continuously decreased from 2019 to 2021 but significantly increased from 2021 to 2023, with a growth rate of over 50% from 2021 to 2022 (Thompson, 2020).

Overall, Midea Group's bad debt provision showed an upward trend from 2019 to 2023. However, the overall proportion remained below 5.20%.

The increase in the bad debt provision amount indicates a rise in Midea Group's accounts receivable balance, necessitating a higher provision for bad debts.

Table 9. Movement in Midea Group's Bad Debt Provision (2019-2023) Unit: Thousand Yuan

Year	2019	2020	2021	2022	2023
Allowance for Doubtful Accounts	967825	876573	859179	1332609	1782721
Allowance for Doubtful Accounts Proportion	0.0483	0.0367	0.0337	0.0451	0.0519
Allowance for Doubtful Accounts Change Rate	—	-0.0943	-0.0198	0.551	0.3378

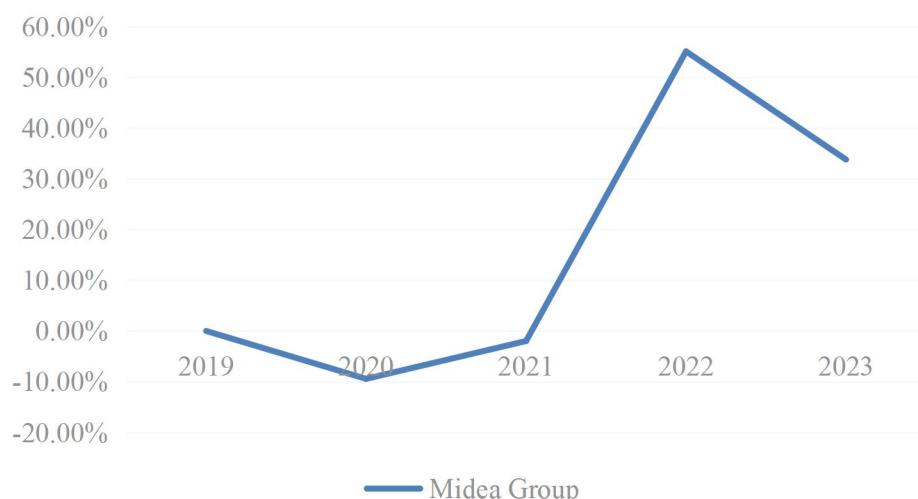


Figure 6. Movement Trend of Midea Group's Bad Debt Provision (2019-2023)

(8) Analysis of Bad Debt Provision Data in the Same Industry

According to the Movement Table of Bad Debt Provisions in the Same Industry from 2019 to 2023 (Table 10) and the Trend Chart of Bad Debt Provision Movements in the Same Industry from 2019 to 2023 (Figure 7), the following observations can be made:

Within the same industry, Midea Group's bad debt provision remained below the industry average in all years except 2022, positioning it at the lower end of the industry. In contrast, both Xiaomi Group and Gree Electric had bad debt provisions exceeding the industry average for two or more years. Gree Electric slightly exceeded the average, while Xiaomi Group significantly surpassed the industry average, placing it at the higher end of the industry (Anderson, 2022).

Table 10. Movement in Bad Debt Provisions in the Same Industry (2019-2023)

	2019	2020	2021	2022	2023
Midea Group	—	-0.0943	-0.0198	0.551	0.3378
Xiaomi Group	—	0.734	-0.1834	0.2522	0.5437
Gree Electric Appliances	—	0.0548	0.2399	0	0.5417
Average	—	0.2315	0.0122	0.2677	0.4777

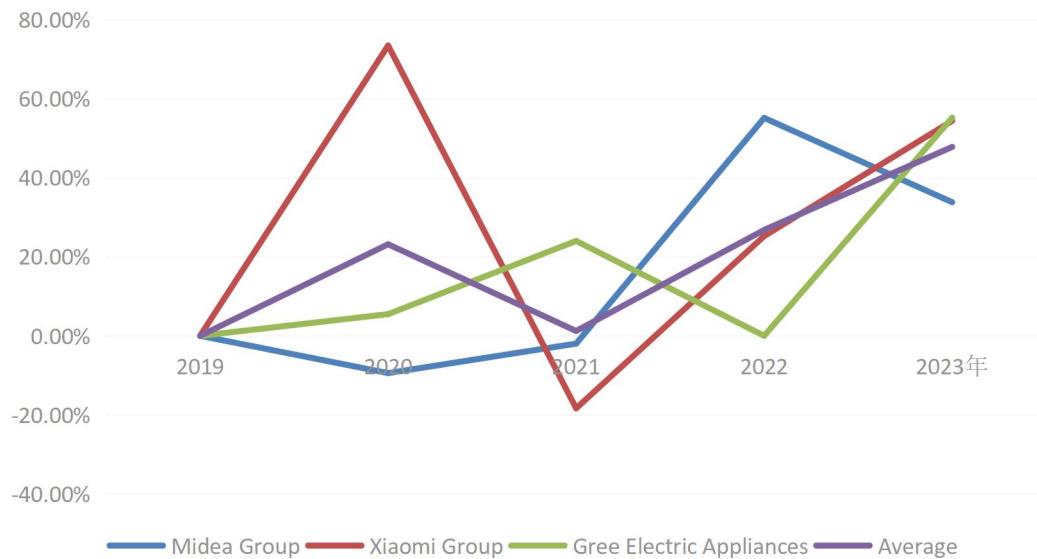


Figure 7. Movement Trend of Bad Debt Provisions in the Same Industry (2019-2023)

3.2. Issues

3.2.1. Problems

(1) Emphasis on Sales Over Collection

Based on the analysis of various indicators of Midea Group's accounts receivable status, the accounts receivable balance reached its highest value in 2023 at RMB 32.885 billion, while

operating revenue also peaked at RMB 372.037 billion. To strengthen the company's brand position, Midea often employs credit sales strategies. To maintain market share and sales volume, the company tends to adopt relatively lenient credit policies, which increases the risk of bad debts in the future (Wilson, 2018).

According to the growth rates of accounts receivable and operating revenue from 2019 to 2023, the growth rate of accounts receivable exceeded that of operating revenue in all years except 2021. Typically, these two metrics should grow at a similar pace. When the growth rate of accounts receivable surpasses that of operating revenue, it may indicate that the company is boosting revenue at the expense of increasing receivables.

(2) Inadequate Management and Control

Over the past five years, accounts receivable as a percentage of operating revenue has been relatively high and shown an increasing trend. Although the ratio decreased from 8.08% in 2020 to 7.22% in 2021, it rose again to 8.21% in 2022. This suggests that Midea Group recognized its overreliance on credit sales and attempted to control it, but the efforts were insufficient.

(3) Poor Capital Turnover

Midea Group's accounts receivable as a percentage of current funds remains high, consistently exceeding 9.5% over the past five years. In comparison, Xiaomi Group maintained this ratio below 6.2%, while Gree Electric kept it under 7.5%. The industry average remained below 7.6% during this period. Midea Group significantly exceeded this average. A higher proportion of accounts receivable to current funds indicates fewer liquid funds available for the company, leading to poorer capital circulation and potential risks such as a broken capital chain. This can directly result in difficulties in capital turnover or even operational paralysis.

Additionally, Midea Group's accounts receivable turnover rate has been low, not exceeding 15% over the past five years. In the same industry, Xiaomi Group's lowest turnover rate was 26.31%, while Gree Electric's lowest was 13.26%. In 2022, Midea's turnover rate was only 13.08%, significantly lower than the industry average of 22.13%. This indicates a considerable gap from the industry average and highlights the need for improved liquidity.

(4) Lack of Effective Follow-Up Measures

According to the Movement Table of Midea Group's Bad Debt Provision (see Table 9) and the Trend Chart of Midea Group's Bad Debt Provision Movement (Figure 6), the overall trend of Midea Group's bad debt provision from 2019 to 2023 has been upward.

In 2019, the bad debt ratio reached 4.83% of accounts receivable, a significant change from the previous year. According to the company's 2018 annual report, the bad debt ratio was 4.03%, which increased by 0.8% to 4.83% in 2019. The specific value of bad debt losses increased from RMB 950.923 million to RMB 967.825 million, a rise of RMB 16.902 million. This indicates lax management of accounts receivable and insufficient collection efforts, leading to an increase in bad debts.

Although bad debt losses decreased from 2019 to 2020, they increased by RMB 923.542 million from 2020 to 2022, with a significant rise of RMB 473.430 million from 2021 to 2022.

The trends over the past five years suggest that the operating environment, financial conditions, and development prospects of Midea Group's credit customers are relatively poor. As a result, Midea has adopted a cautious marketing strategy, increasing its bad debt provision to mitigate the risk of default.

This highlights the need for Midea Group to strengthen control in the initial screening and evaluation of customers, enhance training, and hire relevant departmental personnel and professionals. Additionally, dynamic tracking of customers should be emphasized.

3.2.2. Cause Analysis

(1) Overreliance on Credit Sales to Pursue Sales Volume

As mentioned earlier, Midea Group's accounts receivable ratio has increased year by year, and its accounts receivable growth rate has exceeded the operating revenue growth rate in all years except 2021. The company has extended credit sales policies to existing customers, using extensive credit sales to boost sales volume. While this is a method to increase market share and enhance competitiveness, overreliance on credit sales can not only lead to unhealthy competition within the industry but also expose the company to bad debt risks.(Brown, 2019; Miller, 2021)

(2) Poor Internal Management

Midea Group may lack adequate management awareness in accounts receivable management, such as insufficient customer credit evaluation and ineffective collection measures. This results in low efficiency in accounts receivable recovery and increased capital occupation costs. Lax regulations have led to an excessively high proportion of aged accounts receivable compared to industry peers (Roberts, 2019).

(3) Market Competition Pressure

The home appliance industry is highly competitive. To expand market share, Midea Group has adopted credit sales to attract customers and increase market share. However, this has led to an increase in accounts receivable and a higher risk of bad debts.

(4) Lenient Credit Policies

To promote sales, Midea Group may have relaxed its credit policies, granting customers longer credit periods. While this helps increase sales revenue, it also raises the risk of accounts receivable recovery.

(5) Poor Creditworthiness of Customers

Some customers may be unable to pay their accounts receivable on time due to poor operational conditions, financial constraints, or other reasons. This has led to a decline in Midea Group's accounts receivable turnover rate and increased the risk of bad debts.

3.3. Recommendations and Countermeasures

(1) Control the Proportion of Accounts Receivable

Given that Midea Group's accounts receivable balance has been growing in recent years, with accounts receivable accounting for a high proportion of operating revenue and its growth rate exceeding that of operating revenue, it is essential to strengthen the management of accounts receivable.

(2) Enhance Control Over Accounts Receivable

Reduce reliance on credit sales strategies, control the proportion of accounts receivable to operating revenue, and improve the quality of the company's profitability.

(3) Strengthen Market Research and Optimize Credit Policies

Midea Group should enhance market research to understand customer needs and credit conditions, and formulate reasonable credit policies. While expanding market share, attention must be paid to controlling the risks associated with accounts receivable.

(4) Strengthen Customer Credit Management

Establish a comprehensive customer credit evaluation system to conduct thorough and accurate assessments of customers' creditworthiness. Based on customers' credit ratings, formulate corresponding credit sales policies to reduce the risk of bad debts (O'Neil, 2017).

(5) Improve the Liquidity of Accounts Receivable

Midea Group's accounts receivable turnover cycle is too long, and the collection period for receivables is excessively extended, resulting in insufficient liquid funds for production.

(6) Strengthen Accounts Receivable Collection Efforts

Establish a dedicated collection team, develop effective collection measures, and enhance the collection of accounts receivable. For customers with overdue payments, legal means should be promptly employed to recover debts and reduce bad debt losses.

(7) Optimize Internal Management Processes

Strengthen internal management of accounts receivable by establishing sound management systems and processes. Clearly define the responsibilities of each department, enhance communication and collaboration between departments, and improve the efficiency of accounts receivable management.

(8) Utilize Financial Tools to Mitigate Risks

Midea Group can employ financial tools such as factoring and accounts receivable securitization to convert accounts receivable into cash, thereby reducing the risk associated with receivables and improving capital utilization efficiency (Chen, 2023).

4. Case Summary

Through the analysis of Midea Group's accounts receivable issues from 2019 to 2023, it has been identified that the company's accounts receivable scale is relatively large, and its aging structure carries certain risks. These issues may be attributed to factors such as market competition pressures, lenient credit policies, poor creditworthiness of customers, and inadequate internal management.

To mitigate accounts receivable risks and improve capital utilization efficiency, Midea Group should take the following measures: (1) Strengthen market research to optimize credit policies. (2) Enhance customer credit management. (3) Improve the efficiency of accounts receivable collection. (4) Optimize internal management processes. (5) Utilize financial tools to reduce risks. By implementing these measures, Midea Group can better manage its accounts receivable, thereby improving its financial health and competitiveness.

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