

1.5 Significance of Study

The study would be of interest to Tenaga Nasional's top management especially that of the Cash Management and Distribution Units. It could be used as the basis of a model to be applied to other regions with the view of reducing delays and floats, increasing cash inflows and maximizing returns to Tenaga Nasional's cash balances.

1.6 Organization of Study

The remainder of the report is organized as follows. Chapter 2 discusses the basic concepts of cash management. The reasons why cash is held and the fundamentals of float are discussed. Chapter 3 explains the collection procedures of Tenaga Nasional in general and that of Wilayah Persekutuan Region in particular. Chapter 4 discusses the research methodology and limitations of the study. Chapter 5 reviews the findings of the research and analyzes in detail the causes and costs of float. Finally, Chapter 6 summarizes the results and offers recommendations to improve the cash management of Tenaga Nasional.

returns on excess funds, a fixed amount has been set aside for investment in the local and capital market. Tenaga Nasional has also managed to raise additional funds through the issuance of a number of Yankee Bonds in United States of America.

Tenaga Nasional's profit (after tax) for the year ending August 1995 was RM 1,253.3 million down from RM 1,723.9 million in 1994. This gives an Earnings Per Share (EPS) of 40.7 sen. Of the RM 2,600.3 million in current assets, RM 822.4 million are in stocks and inventories, RM 1,392.5 million in debts and RM 336.4 million in bank and cash balance.

1.2 Wilayah Persekutuan

Of the 12 regions in the Tenaga Nasional System, Wilayah Persekutuan of Kuala Lumpur is the largest in terms of the number of consumers and sales of electricity. Wilayah Persekutuan is administered by a Regional Manager. It consists of four zones offices similar to the district office and each zone office in turn has three or four collection centres (See Appendices 1 and 2). A district office is a typical customer front-line office which deals with the operations, maintenance and billing

of consumers within its predetermined boundary. All Tenaga Nasional Wilayah Persekutuan's collection centres are on-line and they are connected through a computerized system called the Consumer Information Billing System (*CIBS*). All domestic consumers are on-line whilst the *Large Power Consumers (LPC)* accounts are still in the process of being computerized.

1.2.1 Consumers

In principle, consumers are classified into the respective tariff structures i.e. domestic, commercial, industrial, mining and public lighting. Consumers are further sub-divided into government and non-government. In addition, consumers whose load exceed 100kW are also categorized as *Large Power Consumers (LPC)*. As at 31st August 1995, Tenaga Nasional has **four million** customers consuming 33,657.4 GWh of electricity and contributing RM 6,662.7 million of sales revenue. The consumer breakdown based on the tariff structure is as follows :-

Table 1 Customer Breakdown for Peninsular Malaysia as at August 1995

TYPE OF CUSTOMER	NO. OF CUSTOMERS	PERCENTAGE
Domestic	3,436,091	86%
Commercial	519,409	13%
Industrial	17,980	0.005%
Mining & Public Lighting	21,975	0.006%

The number of consumers in Wilayah Persekutuan as at 31 August 1995 is 579,785 or 14.14% of the total number of consumers in the country. This translates into 5.1 billion kilowatts of energy or RM 1,143 million sold. The statement of sales is as per Appendix 3. The breakdown of consumers and sales is as follows :-

Table 2 Customer Breakdown For Wilayah Persekutuan as at August 1995

TYPE OF CUSTOMER	NO. OF CUSTOMERS	PERCENT AGE
Domestic	474,751	82.31%
Commercial	101,053	17.52%
Industrial	634	00.11%
Mining	0	00.00%
Public Lighting	346	00.06%
TOTAL	576,784	100.00%

Table 3 Sales and Revenue Breakdown For Wilayah Persekutuan for Financial Year 1994/95

TYPE OF CUSTOMER	Sales (GWh)	Revenue
Domestic	1,257	RM 280 million
Commercial	3,133	RM 126 million
Industrial	675	RM 728 million
Public Lighting	4.6	RM 8 million

1.4 Objective of Study

The purpose of this study is to examine and analyze the collection process of Tenaga Nasional's Wilayah Persekutuan Region. More specifically, the study will focus on the four distinct time components of the collection process, namely:

1. Billing Period
2. Customer Payment Period
3. Processing Period, and
4. Transit Period

The Billing Period begins from the time the meter is read and ends when the bill is presented to the consumer. The Customer Payment Period refers to the time it takes for the consumer to pay his/her electricity bill. The Processing Period refers to time it takes for the respective collection centres and agencies to process the payment and transfers it to the bank. Finally, the Transit Period refers to the time taken by the banks to process and finally make the funds available to Tenaga Nasional.

1.0 INTRODUCTION

1.1 Tenaga Nasional

Tenaga Nasional is a private company whose principal activities are the generation, transmission, distribution and sale of electricity to consumers in Peninsular Malaysia. Formed in 1992, Tenaga Nasional is the successor company to Lembaga Letrik Negara -- the government owned electric utility.

Tenaga Nasional is the third largest corporation in the Kuala Lumpur Stock Exchange (KLSE) in terms of share capitalization. The principal bankers are Bank Bumiputra Malaysia Berhad (BBMB) and Maybank Berhad (MBB). In its 1995 Annual Report, Tenaga Nasional's turnover was RM 6,855.30 billion. This was based on a revenue of RM 6,662.7 million earned through sales of approximately 33,657.4 Gwh of electricity. The demand for electricity is growing at the rate of 20% per year compared to the economic growth of about 8% per year.

In 1995, Tenaga Nasional's source of funding was mainly domestic based. This was due to the low and competitive interest rates offered by the local banks and institutions. In addition, to maximize