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The Head,

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elfarouk105@gmail.com

+2348069393824

### **FOR MORE INFORMATION, CONTACT**

**The Editor-in-Chief on** +2348067766435

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## **ACCOUNT RECEIVABLE MANAGEMENT AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS FIRMS IN NIGERIA**

**Umar Suleiman Abubakar Dabai**

Department of Management Studies  
Nigerian Defence Academy Kaduna, Nigeria  
[umarsdabai@gmail.com](mailto:umarsdabai@gmail.com)

**Biyai Shepnaan**

Department of Management Studies  
Nigerian Defence Academy Kaduna, Nigeria

**Hajara Abubakar**

Department of Management Studies  
Nigerian Defence Academy Kaduna, Nigeria  
[hajaraabubakar@gmail.com](mailto:hajaraabubakar@gmail.com)

**Jimoh Haruna**

Department of Management Studies  
Nigerian Defence Academy Kaduna, Nigeria  
[Hoomnan1@gmail.com](mailto:Hoomnan1@gmail.com)

**Halimah Sani Sambo PhD**

Department of Actuarial Sciences & Insurance  
ABU Business School, Ahmadu Bello University Zaria, Nigeria  
[halimahssambo247@gmail.com](mailto:halimahssambo247@gmail.com)

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### **Abstract**

The study looks at the implications of account receivables management of quoted consumer goods firms' financial performance in Nigeria. The study population is made up of the entire consumer goods firms listed in Nigeria. The total population stands at 23 consumer goods firms as at 31<sup>st</sup> December, 2022. A sample of 13 firms were arrived at by adopting a census sampling techniques by selecting only firms with complete financial information for a period of 2013 to 2022. The study employed a secondary data gathering strategy to obtain data from the annual report and accounts of selected firms. Data for the study were analysed with assistance of STATA 13 statistical software. The findings of the study reveals that average receivable turnover has negative insignificance impact on financial performance and average collection period, debt asset ratio, and current ratio have significant negative effect on return on equity. Based on its findings, the study concludes account receivables management to have negative significance effect on financial performance of listed consumer goods firms in Nigeria. The study also recommends that consumer goods firms listed should maintain low average collection period as high collection period might lead to lower financial

performance. This will be achieved by developing appropriate mechanism to encourage prompt payment by customers. Consumer goods firms listed should maintain an optimum debt assets ratio as too much debt might result to poor financial performance which ultimately leads to lower returns to shareholders on their capital investment in the company. Consumer goods firms listed in Nigeria should also maintain low current ratio as too much investment in current assets might lead to capital tight up on investment with lower return which might result in to poor financial performance.

**Keywords:** receivable, average collection period, current ratio, current assets, receivables turnover

## **1. Introduction**

The principal aims of forming business entity are to provide sufficient returns to shareholders. To maximize shareholders, return consumer goods firms engage in various activities aimed toward increasing sales and market share there by achieving high profitability. One of such activities is granting credit facilities to customers. This has the potentiality of increasing sales there by resulting in better financial performance. However, there is possibility of payment default on the part of customers their by hindering firms from achieving high level performance and as such results in loss of values in shareholders' investment. To avoid this problem, firms should have good account receivables management mechanism thereby minimizing potential default risk and as well achieving better financial performance.

The term "accounts receivable" refers to money owing to a company for products or services already provided. An organization can track client credit, retain customer loyalty, and recover uncollected revenues by maintaining proper accounts receivable management. Account receivable management also has the advantages of Building a better relationship with customers by not having discrepancies in pending bills, Mitigating the risk of bad debt, increasing sales market share, increasing profit and maintaining financial order among others. Customers' outstanding payments to a business are represented as account receivables, a type of current asset. Accounts that are highly liquid because they can be paid with cash using the relevant assets on the payment date (Adeboboye et al., 2022).

Kontus (2013) states that creating a credit and collection policy is a part of accounts receivable management. Credit period, early payment discounts, and credit criteria outlining who should be given credit, what the terms of the credit are, and how money should be collected are all included in the policy. A key element of a company's working capital management, according to Sah (2022), is the handling of receivables. A company's legally enforceable demand for payment from its clients for products delivered and services given in fulfillment of the client's order is known as its accounts receivable.

A company's ability to earn money and employ assets from its principal mode of business is measured subjectively by its financial performance. Sah (2022) states that an organization's ability to generate excess income over expenses or profit for the period is typically used to gauge its financial performance. A successful organization is typically defined by performance standards as having a higher profit (or profit on capital employed ratio). According to Barnett and Salomon (2012), a company's financial performance is measured by how much it grows its profits, sales, and return on equity. These show the overall health of a company and are measures of financial performance. However, a lot of businesses today have a lot of difficulties with their accounts receivable and billing. In this study, the financial performance of Nigerian listed consumer products companies will be examined in relation to accounts receivable management.

The study of account receivable management has so many problem which include Opportunity for fraudulent both internally and externally, Complexity in managing as the number of customers and transaction growth Credit risk assessment, incorrect creditworthiness can result in extended credit to high risk customer, Customer relationship, being too stringent or lenient in collection effort can strain customer relationship and delayed payment respectively, Bad debt, there is a risk customers defaulting on their payments which negatively affect companies financial health.

Many researchers attempted to investigate how managing accounts receivables effects financial performance; these includes Dan, (2020), Adeboboye et al, (2022), Surikovaa, at el, (2022), Adebowale & Dada, (2022), Gitahi, et al., (2020), and Liu, (2020). Most of these studies arrived at mixed and inconclusive result with some studies arriving at positive significance result, some arriving at negative significance result while others arriving at insignificance result. On the other hand, most of these studies used return on assets to measure performance and average collection period as well as receivable turnover to measure receivables management. This study therefore, used return on equity to measure financial performance while in addition to receivable turnover and average collection period, this study also used current ratio and debt asset ratio to measure account receivable management.

The general objective of this study is to determine the effects of accounts receivable management on financial performance of listed consumer goods firms in Nigeria with the following specific objectives.

- i. To determine the effect of account receivables turnover on financial performance of listed consumer goods firms in Nigeria.

- ii. To determine the effects of average collection period on financial performance of listed consumer goods firms in Nigeria.
- iii. To determine the effect of Debt Asset ratio on financial performance of listed consumer goods firms in Nigeria.
- iv. To determine the effect of current ratio on financial performance of listed consumer goods firms in Nigeria.

To achieve the objective of the study, the researchers formulated and tested the following hypotheses

**H0<sub>1</sub>:**Account receivable turnover does not have significant effect on financial performance of listed consumer goods firms in Nigeria.

**H0<sub>2</sub>:**Average collection period does not have significant effect on financial performance of listed consumer goods firms in Nigeria?

**H0<sub>3</sub>:** Debt Asset ratio does not have significant effect on financial performance of listed consumer goods firms in Nigeria?

**H0<sub>4</sub>:** Current ratio does not have significant effect on financial performance of listed consumer goods firms in Nigeria.

## **2. Literature Review**

Munene and Tibbs (2018) are of the opinion that a company's account receivables are a representation of the money owing to it for previously rendered goods or services. A company can efficiently manage client credit, uncollected revenues, and customer loyalty by keeping track of its account receivables. Similar to how a human heart is necessary for every human being to survive, an effective working capital management strategy for accounts receivable is critical to the health and lifespan of a firm (Akinleye & Adeboboye, 2019). Consequently, one of the many components of account receivables that must be controlled in order to manage them is their average collection time, among other components.

According to Duru et al. (2014), the management of accounts receivable is a crucial aspect of financial management, as an abundance or deficiency of current assets can have adverse effects on a company's profitability and make it more difficult to maintain smooth operations). According to Gill et al. (2011), the primary goal of accounts receivable is to strike the ideal balance between the various elements of cash flow management. The ageing of accounts receivable and assessing potential customers' ability to pay based on factors including their integrity, financial stability, the collateral they are pledging, and the state of the economy are the main accounts receivable management principles that a company should keep in mind defining the parameters and restrictions for credit, obtaining trade credit, evaluating

default risk and accountability, and funding accounts receivable until the buyer pays (Schaum, 2011).

Financial performance is the degree to which a company boosts sales, earnings, and return on equity. The majority of firms continue to place a high priority on precisely assessing financial performance (Ittner and Larcker, 2014). According to Munene and Tibbs (2018), performance assessment systems establish the basis for formulating strategic plans, evaluating the attainment of organizational goals, and compensating managers.

Jegade (2017) claimed that the poor receivables management practices of the nation are partly to blame for the industrial sector's underwhelming performance and GDP contribution. Furthermore, Dan (2020) asserted that insufficient account receivables management severely impairs the operation of Nigerian listed manufacturing companies. It's thought that this led to erratic revenue and had an impact on profitability, liquidity, and productivity. It is noteworthy that while average collection duration was found to have very little effect on performance in some research on the relationship between publicly traded manufacturing businesses' performance and their management of accounts receivable, average collection period was found to have a significant impact in other research.

Surikovaa, et al. (2022) examined the management of account receivables of railway transport enterprise with the aimed of reducing terms of financial size cycle without negatively affecting its operations, and account receivable. Regularly performed analysis of accounts receivable using traditional and non-trivial approaches can assess the management team's capacity to anticipate and mitigate the risk of non-payment of funds, pinpoint specific factors that are inherent in a given activity that lead to debt formation, and assess the general effectiveness of liability management. The research examines the primary hazards linked to the formation of accounts receivable, payback periods, and partial or complete non-repayment. It also divulges the characteristics of managing accounts receivable inside a transportation company. However, the study did not significantly specify the determinant variables of the research.

Deboboye et al. (2022) investigated the relationship between effective management of accounts receivable and the monetary results of Nigerian manufacturing companies that are publicly traded. The particular goals of this study were to find out how a company's performance, as determined by its profits per share and return on capital employed, was affected by the average collecting time. Twenty different

consumer and industrial manufacturing companies that were listed in Nigeria made up the sample. We examined the financial statements spanning 2012 to 2021 as secondary data. Descriptive and inferential analysis techniques were employed to carry out the investigation. Based on the research results, the average collecting length has relatively little detrimental effect on earnings per share. Furthermore, conventional collection periods have a negligible beneficial effect on the returns on capital utilized by businesses producing industrial goods, but a negligible negative effect on the returns on capital used by businesses producing consumer goods. Considering profits per share, Comparative analysis results revealed no appreciable distinction in the impact of account receivables management on the performance of consumer and industrial goods enterprises. Nevertheless, the findings indicated that there is a difference when considering return on capital utilized. In summary, account receivable management affects the success of Nigerian manufacturing companies that are publicly traded.

Adebowale and Dada, (2022) used Mazedan international business review data to look in to the impacts of accounts receivable management and Performance of Nigerian Pharmaceutical Firms, The study investigates how return on assets is impacted by sales growth, bad debt and account receivable ratio (ARR) for a period from 2013 to 2021. Secondary data were obtained and analysis using descriptive, correlational, regression analysis using typical least squares, and Granger causality analysis. The study shows that the ratio on accounts receivable (ARR) had a negative significant impact on the assets returns, the bad debt ratio (BDTR) had a negative but negligible influence return on assets and sales growth (SG) had a negative but small impact on on assets return. According to the findings of the research, pharmaceutical companies should take steps to ensure that they manage their bad debt and accounts receivable effectively and are kept at a level that is acceptable throughout the years. However, the study should have use of Predictive data analytics; both primary and secondary mode of data collection should also be used.

Gitahi, et al. (2020) using Kenya data study the relationship between management of accounts receivable on the NSE-listed manufacturing companies' financial performance. The study looked into manufacturing companies that were listed on the NSE for six months, from April to October 2016. In order to determine the population's current situation, the study used a descriptive research methodology. Data was gathered via self-administered questionnaires, and both descriptive and inferential data analysis were used for analysis. According to the study, there is a substantial correlation between credit extension policies, financing receivables, and

the firm's financial performance. Additionally, the length of the receivable collection period has a considerable impact on the latter two. The report suggests that management of manufacturing companies establish explicit guidelines for managing their accounts receivable .namely, the credit extension policy, financing of the receivable, and the duration of time it takes to collect the receivable, as these have a big impact on the companies' financial performance. Since the study was conducted outside, it can also be used in Nigeria to examine the connection between listed manufacturing firms' financial success and their accounts receivable management.

Liu (2020) examined the correlation between the financial performance of corporations and accounts receivable. Ninety-two Chinese listed firms across five industries are among the total 23570 observations that were chosen. The information is available for the years 2010 through 2016. The results of the regression analysis show a substantial correlation between the accounts collection period—a proxy for accounts receivable—and the gross operating income (GOI) of firms, which is used to assess their financial performance. The study takes into account four control variables, including the cash conversion cycle, fixed financial ratio, current ratio, and business size. In conclusion, businesses can select an appropriate policy to control their accounts receivable and maintain an ideal length of time for collections.

Shah (2020) studied the impact of managing accounts receivable for profitability. Data have been gathered from the annual reports of a few printing companies for the years 2009–10 through 2018–19 in order to achieve this study goal. The liquidity-highlighting ratios, such as the return on total assets, debtors to current assets, sales to total assets, LnTA, and quick ratio, have been calculated. To determine the effect of liquidity on profitability, statistical techniques such as ANOVA were also employed. Durbin-Watson correlation, regression analysis, and descriptive statistics are the statistical methods or instruments employed in the study. One of the dependent variables was profitability. The analysis shows that the administration of receivables in a subset of printing sector enterprises is inefficient and has a major negative impact on profitability.

Abubakar and Olowe (2019) examined the impact of Management of Accounts Receivable on the Financial Performance of Selected Nigerian Quoted Companies. By using a deliberate selection technique, ten (10) of the enterprises that were quoted on the Nigerian stock exchange as of December 31, 2018, were chosen as samples across a seven-year period, from 2012 to 2018. Multiple regressions were

the analytical tool employed in the investigation. Accounts receivable ratio, debt ratio, and revenue growth served as proxies for accounts receivable management, while return on equity (ROE) served as a proxy for financial performance. The research indicates that the financial performance of a subset of listed Nigerian enterprises was positively impacted by the accounts receivable ratio, debt ratio, and revenue growth. However the variables used were not significantly enough to address the issue as if other variable such as current ratio applied.

Munene and Tibbs (2018) Studied the effect of accounts receivable management on the Embu Water and Sanitation Company Limited's (Embu County, Kenya) financial performance. Examining the impacts of average payment times, cash conversion times, average collection times, and inventory turnover times on financial performance served as the study's main focus. The accounts and finance departments provided them with secondary data, which they analysed using both descriptive and inferential statistical methods. Research indicates that there is a negative correlation between Return on Equity and inventory turnover in days. This implies that lowering inventory in days can improve a company's financial performance. Return on Equity was found to have a substantial positive correlation with both the average collection period and the current ratio. But since the research was limited to one public organization, its conclusions could not be applied generally and as such, different result could be achieved.

Nwude and Agbo (2018) investigated the average collecting period's effect on the insurance businesses listed in Nigeria's profitability. The dependent variable was the return on assets, and the independent variable was the account receivable term. From 2000 to 2011, the study's sample consisted of the annual financial reports of twenty listed insurance companies in Nigeria. With the help of SPSS version 20.0, the descriptive statistics and correlation matrix were produced. Using the current ratio, firm size, growth, and fixed financial total asset ratio as control variables, regression analysis was utilized in this study to determine the effect of accounts receivable period on return on assets. The findings indicate that the length of the accounts receivable period has a negligible detrimental effect on profitability. However, the variables used were not enough to address the issue as insurance companies are not dealing with tangible product.

Karma and Susanti (2017) studied Account payables and receivables linked to the purchase and selling of trip packages on credit were the focus of the research, which aimed to develop information systems for travel agency companies' account receivable and payment systems. Using MYSQL as the database package and

Microsoft Visual Basic Net as the programming language, the study employed an object-oriented methodology. The research indicates that the integration of the two systems—the account payable information system, which managed the company's payments to suppliers for guest-supplied goods and services, and the account receivables information system, which manages accounts receivable on agents who have purchased a tour package on credit for the guest it sends—would result in the reservation system producing an income statement for specific guests. Nevertheless, the study did not specify the precise metrics utilized to calculate accounts receivable, a problem that the current study addressed by calculating accounts receivable using the current ratio.

Mihajlov (2013) examined the Guidelines for managing account receivables during a recession provided to companies listed on the Republic of Serbia's regulated market. The study made use of a sample of 108 of the most prosperous Serbian companies that were listed on the Belgrade Stock Exchange's multilateral trading platform between 2008 and 2011 as well as on the prime and standard listings. According to the study, there is a positive but not statistically significant correlation between operational profit margin, return on total assets, and account receivables and profitability characteristics. It was hypothesized that during a crisis, the effect of accounts receivable on profitability varies. However, due to the long time this research work has been taken, several factors might have changed and the finding could also be different.

### **3. Methodology and Model Specification**

This section is design to provide the methodology used in conducting the study, it is made up of research design, study population, sample size, and sampling methods, model and modelling specification, variable definition and measurement, method of data collection and definition of the variables. In order to examine the relationship between the study's variables, a descriptive research design was used. Because it involves the meticulous planning of event description, descriptive research design is more precise and accurate and would allow the researcher to generalize the findings to a larger population. Every Nigerian consumer products company that is listed between 2013 and 2022, a span of ten years makes up the study's population. By using census sampling approaches, the study eventually comes up with a sample of 13 enterprises. The secondary data came from the financial statements of Nigerian consumer goods companies that were listed and made publicly available. With the aid of the statistical software STATA 13, panel data analyses are used in this work.

The model used to test the hypotheses of the study is specified as follows:

$$ROE_{it} = \alpha_{it} + \beta_1 ARTO_{it} + \beta_2 AVECP_{it} + \beta_3 DRATIO_{it} + \beta_4 CRATIO_{it} + \epsilon_{it}$$

**Whereas:**

ROE= Return on equity, measured as Net Income/ Shareholders Equity (Abubakar & Olowe, 2019)

ARTO = Account Receivable Turnover, measured as Net Credit Sales / Average Account Receivables (Dan, 2020)

AVECP = Average collection period, measured as Accounts Receivable/ Sales \* 365 (Dan, 2020; Adeboboye, 2022)

DRATIO = Debt Asset ratio, measured as Average Total Debt/Total Assets

CRATIO = Current Ratio measured as Current Asset / Current Liabilities

**4. Results and Discussions**

This section is design to provide the result of data analyses conducted in respect of the secondary data gathered from the annual report and account of sample firms. The section is made up of the descriptive analyses, correlation analyses, both post estimation and diagnostic tests, regression analyses along with a review of the results and test of hypotheses.

**Table 1: Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	130	.108943	.4974668	-2.979198	1.872808
ARTO	130	14.70914	78.87051	.0878622	901.9512
AVECP	130	172.7104	528.559	.4046782	4154.235
DARATIO	130	.0810679	.0853783	0	.3499373
CRATIO	130	1.106308	.7704323	.0405353	8.075137

**Source: STATA 13 OUTPUTS, (2023)**

The result of descriptive analyses of the study was shown in Table 1. From the table, the total number of observations stands at 130; this represents 13 sample consumer goods firms studied for a period of 10 years (2013-2022). The dependent variable ROE has a mean of 0.109 and the standard deviation of 0.497. The mean implies that by average, listed consumer goods firms have a mean return on shareholders’ equity of about 10.9%. This means that for every Naira of shareholders equity there is a return of about 11 kobo. The standard deviation of 0.497 more than the central mean reflects that the ROE of most of the sample mean are away from the central mean as reflected in the minimum negative return of 2 Naira 98 Kobo and maximum return of 1Naira 87 kobo.

On the other hand, average receivable turnover has a mean of 14.709 and the standard deviation of 78.87 more than the central mean implying that the average receivable turnover of majority of the sample mean are disperse from the central mean. The mean of 14.709 disclose that the sales or turnover of listed consumer goods firms is about 15 times its average receivable. This suggests a good receivable management policy by sample firms because the receivables are less than 10% of the total turnover for the period. The minimum and maximum ARTO are however 0.0878 and 901.95 respectively reflect that there is a firm with receivable of more than its turnover for the period which might be as a result of accumulated receivable of the previous tears, and also the is a firm with turnover of about 902 times its average receivables.

Additionally, average collection period (AVECP) has a mean of 172.7104 suggesting that by average listed consumer goods firms in Nigeria collect payment on receivables in about 173days. This is almost half of a year and as such suggests a bad receivable collection period among sample firms. The standard deviation of 528.559 more than the central mean explains that AVECP of majority of the sample firms are per away from the central mean. This is reflected in the minimum mean of about 1day and maximum mean of about 4154days.

Moving on, the debt ratio measure as the percentage of debt to total assets has a mean of 0.081 and a standard deviation of 0.085 close to central mean implying low dispersion from the central mean. This is evidence from the minimum mean and the maximum mean of 0 and 0.35 respectively. However, the mean suggested that by average, listed consumer goods firms have about 8.1% receivables as percentage of their total assets. This suggests that the rate and extent to which firms grant credit facilities to customers is moderate and as such the risk of bad debt is also relatively small. Lastly, the current ratio was measured as the proportion of the current assets in relation to the current liabilities has a mean of 1.106; this is relatively lower than the required ratio of 2. Therefore, it is important for firms to increase their investment in current assets to avoid liquidity crises. The standard deviation of 0.770 less than the central mean indicates that majority of the sample firms have current ratio close to mean ratio and as such suggest similar working capital management among sample firms. The minimum and maximum mean are however 0.0405 and 8.075 respectively. This implies that the lowest current ratio reported by the sample firms is 0.04:1 which is per below the industry average of 2:1. On the other hand, the maximum mean implies that some firms have as high as 8times current assets in relation to current liabilities which might result to capital

tied up in current assets instead of investing them in other profitable business opportunities.

**Table 2: Correlation Matrix**

Variables	ROE	ARTO	AVECP	DARATIO	CRATIO
ROE	1.0000				
ARTO	-0.0110	1.0000			
	0.9007				
AVECP	-0.4392*	-0.0526	1.0000		
	0.0000	0.5524			
DARATIO	-0.1018	0.0536	-0.1340	1.0000	
	0.2491	0.5448	0.1284		
CRATIO	0.0582	-0.0135	-0.0293	-0.0633	1.0000
	0.5108	0.8788	0.7407	0.4743	

**Source: STATA 13 OUTPUTS, (2023)**

The result of correlation analyses was shown in Table 2. The aim of these analyses is to quantify the level of relation between the variables of the study including both independent and dependent variables. The analyses can be used to determine the existence of multicollinearity among independence variables only. From the Table, return on equity has negative weak relationship with average receivable turnover, negative significance moderate relationship with average collection period, negative insignificance weak relationship with debt asset ratio and positive insignificance weak relationship with current ratio. Conversely, ARTO was reported to have very weak negative insignificance relationship with AVECP, weak positive insignificance relationship with DARATION and almost no relationship with CRATIO. However, average collection period was reported to have a negative weak insignificance connection with DRATIO and almost no any relationship with CRATIO. Finally, debt asset ratio has a negative very weak relationship with CRATIO. The correlation analyses indicate the absence of strong significance connection in between the independence variables of the study and therefore proposed that the data set is free from multicollinearity problem. This can be confirmed using the vif test for multicollinearity in Table 4.

**Table 3: Shapiro-Wilk W test for normal data**

Variable	Obs	W	V	Z	Prob>z
ROE	130	0.65296	35.739	8.047	0.00000
ARTO	130	0.10705	91.957	10.173	0.00000
AVECP	130	0.25468	76.754	9.766	0.00000
DARATIO	130	0.88623	11.716	5.537	0.00000
CRATIO	130	0.59279	41.935	8.406	0.00000

**Source: STATA 13 OUTPUTS, (2023)**

The Shapiro-Wilk W test result for normal data was displayed in Table 3. The presumption of normality test is that the information set are not distributed normally. From Table 3 all the variables of the study have p-value of 0.0000 which are all significance at 5% significance level implying that the data sets are not distributed normally. The problem is taken care of by using robust error standard in the regression analyses.

**Table 4: VIF Test for Multicollinearity**

Variable	VIF	1/VIF
DARATIO	1.03	0.975433
AVECP	1.02	0.978500
CRATIO	1.01	0.994398
ARTO	1.01	0.994887
Mean VIF	1.01	

**Source: STATA 13 OUTPUTS, (2023)**

Table 4 Display the multicollinearity test's variance inflation factor (vif) result among the independence variable of the study. The assumption of this analysis is that independence variables of the study should not link with one another. Multicollinearity exists when the independence variables correlate with one another. The tolerance level for this analysis is that multicollinearity problem exists when any of the independence variables has vif value of greater than 4. A Vif value of between 4 and 10 indicates the presence of multicollinearity but is still within the acceptable limit. However, a vif value of greater than 10 indicates a serious multicollinearity problem. From Table 4 the variables have less than 4 vif value which indicates the absence of multicollinearity issues between the study's independence variables.

**Table 5: Fixed-effects (within) regression**

ROE	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
ARTO	-2.82e-06	.0004163	-0.01	0.995	-.0008276	.000822
AVECP	-.0004825	.0000818	-5.90	0.000	-.0006445	-.0003205
DARATIO	-.97749	.5232385	-1.87	0.064	-2.01412	.0591398
CRATIO	-.0876951	.0438218	-2.00	0.048	-.1745139	-.0008763
_cons	.3685789	.0779233	4.73	0.000	.2141988	.522959
F(4,113)	9.36					
Prob > F	0.0000					

R-sq:	0.2488	
within		
between	0.144	
overall	0.1965	
Hausman	chi2(4)	29.67
Test		
	Prob>chi2	0.0000

**Source: STATA 13 OUTPUTS, (2023)**

Table 5 displays the outcome of Hausman specification test for fixed effect. The presumptions of this test are that difference in coefficients not systematic. The Table shows a Chi2 value of 29.67 with p-value of 0.0000 which is significance at 5% level of significance and as such confirm that difference in coefficients not systematic. This signifies that the fixed effect model is the appropriate model for the study.

Table 5 displayed the outcomes of fixed effect regression analyses on the impacts of receivables management on the monetary results of Nigerian consumer goods companies that are listed. From the table, the fitness of the model was measured using the F-Statistics and its equivalent p-value. The value of F-statistics stands at 9.36 which is greater than the minimum required value of 3 with corresponding p-value of 0.0000 which is noteworthy at 5% significance level. This suggests that the ROE model is fit and as such can serve as the appropriate model for studying the impacts of managing receivables on financial performance of sample firms. This also signifies that the variables used in the model were carefully and correctly selected and are therefore appropriate in examine the effect of managing account receivables on financial performance. On the other hand, the extent of differences in the dependent variable cause by the independent variables is measured using the value of R-squared within. From Table 6 the value of R-squared within stands at 0.2488. This implies that, about 25% of variations in the ROE of sample firms were caused by ARTO, AVECP, DARATIO and CRATIO jointly while the remaining 75% of the variation in ROE of sample firms were cause by other factors outside the scope of this study.

Table 5 also shows the impacts of individual independent variables on the ROE of sample firms. From the Table, ARTO has a negative coefficient of -2.82 with p-value of 0.995 which is not significance at 5% significance level. These imply that ARTO has negative insignificance effect on ROE of sample firms. Therefore an increase or decrease in ARTO will not result to corresponding rise or fall in the selected firms' financial performance measured in terms of ROE. This means that,

to achieve better financial performance in terms of ROE, listed consumer goods firms need not adjust their ARTO. This finding agrees with the findings of Shah, (2020) and contradicts that of Adebowale & Dada, (2022); Abubakar, & Olowe, (2019). Based on this, the study therefore, did not successfully refute the hypothesis one which states that average receivables turnover has no significance effect of financial performance of consumer goods firms listed in Nigeria.

Although, AVECP has a negative coefficient of -0.0004825 with p-value of 0.000 which is significance at 1% significance level. These imply that AVECP has negative significance effect on ROE of sample firms. This means that an increase or decrease in AVECP will result to proportionate fall or rise in ROE of consumer goods firms listed in Nigeria. Therefore, to achieve better financial performance in the form of ROE sample firms should try and lowered their AVECP. This is because high collection period signifies that money is tied up in the hand of debtors and firms cannot utilize them in to other profitable investment opportunities and as a result affect the capability of the entity to generate more return to the capital invested by shareholders. This is consistent with the discovery of Gitahi, et al., (2020) and contradicts with that of Adeboboye et al., (2022); Liu, (2020). The study did not accept the null hypothesis 2.

Similarly, debt ratio has a negative coefficient of -0.97749 with p-value of 0.06 which is significance at 10% significance level. These imply that DARATIO has negative significance impacts on ROE of sample firms. This means that an increase or decrease in DARATIO will result to proportionate fall or rise in ROE of sample firms. Therefore, to achieve better financial performance in the form of ROE sample firms should try and lowered their DARATIO. This might be as a result of the fact that an annual compulsory interest payment is attached to the firm's debt and as such will negatively affect the firms reported profit ultimately leading to lower performance in terms of ROE. Based on this, there study therefore failed to accept the null hypothesis 3 to imply the significance effect of DARATIO on ROE of sample consumer goods firms listed in Nigeria. This contradicts the results of Adebowale & Dada, (2022) and agrees with that of Abubakar, & Olowe, (2019).

Finally, current ratio is reported to have negative coefficient with significance p-value of 0.048. This shows that CRATIO has negative significance impacts on financial performance of sample firms. Therefore, a significance increase in current ratio might result to a significance fall in return on equity for Nigerian consumer goods companies. This might be as a result of the fact that too much investment in current assets might result in too much capital tight up in current assets which if

invested in other investment opportunities might provide more returns to the entity. This aligns with the findings of Munene, & Tibbs, (2018) and contradicts with that of Shah, (2020). Based on the forgoing, the research therefore failed to accept the null hypothesis 4.

## **5. Conclusion and Recommendations**

The purpose of the study carried was to investigate the impact of account receivables management on financial performance of consumer goods firms listed in Nigerian stock exchange. Based on its findings and hypotheses testing, the study therefore concludes that account receivables management has a significance effect on financial performance of consumer goods firms listed in Nigeria. The effect is however negative in the case of all variables of the study. Based on its conclusion and findings, the study among others things, suggest that:

- i. Consumer goods firms listed should maintain low average collection period as high collection period might lead to lower financial performance. This can be achieved by developing appropriate mechanism to encourage prompt payment by customers. This might includes cash discount to customers that pay within the stipulated period. The firms might also adopt techniques of offering special discount for cash sales so as to avoid granting of too much credit to customers.
- ii. Listed consumer goods firms should maintain an optimum debt assets ratio as too much debt might result to poor financial performance which ultimately leads to lower shareholders returns on their capital investment in the firms.
- iii. Consumer goods firms listed in Nigeria should maintain low current ratio as too much investment in current assets might lead to capital tight up on investment with lower return which might result in to poor financial performance. This can be achieved by maintain low level of receivables and inventory as well as investing idle cash in to a profitable investment opportunity.
- iv. Even though average receivable turnover was found to be insignificance, there is need for firms to maintain low receivable turnover ratio due to its potential negative impacts on financial performance of sample firms. And the consumer goods firms should therefore watch carefully the extent to which goods are sold on credit to customers so as to avoid its potential negative effect on financial performance.

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