Trade Receivable Management and Financial Performance of Listed Consumer Goods Companies in Nigeria

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Abstract
The general purpose of this study is to determine whether trade receivable influences the financial performance of listed consumer goods companies in Nigeria. The specific objectives are: to ascertain if Account Collection Period (ACP) influences Net Profit Margin of listed consumers goods companies in Nigeria, to investigate if Account Receivable Turnover (ART) influences Net Profit Margin of listed consumer goods companies in Nigeria, to evaluate if Account Collection Period (ACP) influences Return on Asset of listed consumer goods companies in Nigeria, to determine if Account Receivable Turnover (ART) influences Return on Asset of listed consumer goods companies in Nigeria. The methodology adopted in the study was ex-post facto research design. The Secondary data used was obtained from annual report and account of ten selected consumer goods companies in Nigeria stock exchange from 2012-2021. The statistical tools used include descriptive statistics, Pearson correlation and multiple regression analysis. The finding showed that Trade Receivable had a significant positive relationship with Financial Performance. It was discovered that Account Collection Period had a negative relationship between Net Profit Margin and Return on Asset, while Account Receivable Turnover (ART) had a positive relationship between Net Profit Margin and Return on Assets. The study therefore concludes that trade receivable influenced financial performance. It was recommended among other that managers of listed consumer goods companies should adopt efficient credit policy that will ensure short period of account receivable in order to improve financial performance of their corporation.

Keywords: *Net Profit Margin, Account Collection Period, Net Profit Margin, Account Receivable Turnover, Return on Asset, Financial Performance, Trade Receivable.*

Introduction

The importance of trade receivables in the day to day business activity of any organization cannot be over emphasize due to its impact in the volume of sales to the firm and its influence on the profitability of the firm. The term trade receivable denotes an amount owned to a business by its client arising from the sales of goods or provision of services on credit. The goods or services are loaned to customer and expected to be paid within 14, 30 or 60 days period.

Pandey (2005), Posited that trade credit occurred in business if a firm sells its products or services on credit and cash is not receive immediately because it serves as a very important marketing strategy acting as a bridge for the distribution of goods and services through production channel to the final consumer. An enterprise grant trade credit to customers as a means of encouraging them to patronize its business against that of the competitors as well as attracting non-customer to purchase its products at encouraging terms and this create account receivable which a firm is required to collect in the nearest future. A firm's investment in trade receivables depends on the volumes of credit sales and collection period, which may be influence by the financial manager credit policy (Pandey, 2005). Gill Bigger and Margie (2010) Stated that the ultimate goal of account receivable is to maintain an optimal balance between management of cash flow component which serves as a means of planning and controlling the flow of cash both within and outside of the business entity. All business organization required adequate liquid resources to ensure the flow of cash daily such as payment of wages, salaries and creditors in order to maintain its work force as well as ensure regular supplies (Adenyi, 2008).

Maintaining adequate liquid resources required good credit policy that increases volume of credit sales and shorting collection period. The building up and maintenance of confidence and reliability of the business depends on the ease with which inventories and receivables are converted into cash in order to meet maturing obligation properly and maintaining smooth business operation that may improve financial performance. Mathuva, (2010) assert that financial performance measures the ways by which an organization get profit from operation. It analyses the association established between revenue and expenses and the profit generated in relation to the size of an organization investment.

To improve the operating performance of an organization, profitability and liquidity are the most important aspect of an organization life that cannot be over-looked. Increasing profit at the expense of liquidity can cause serious problem to an organization as such there is need for trade-off between the objectives. If an organization does not plan to make profit, it is difficult for that organization to survive for a long period; likewise an enterprise that does not plan to take care of liquidity may face the problem of solvency and bankruptcy (Adeniji, 2008). Erich and Helfert, (2001) stated that management has an interest of dual capacity in the analysis of financial performance in assessing the efficiency and profitability of operations and to judge how effective the resources of the business are being used. Performance evaluation is a necessity for the success of any business and acceptable measures should be applied to consider the different aspect in term of limitation in operation and utilization of facilities. However shareholder in ability to properly evaluate the performance of managers in term of wealth creation to the organization have resulted to lack of proper compensation of the director for their performance in maximizing shareholder wealth, this create gap between the interest of the shareholder and managers. Hence there is conflict of interest among the agencies and owner (Rehema & Kiyayi, 2009).

It is evident from literature review that few studies had been carried out in Nigeria in respect of receivables management, but to the best our knowledge, no significant work had been done in respect of listed consumer goods companies in Nigeria. Hence there exist knowledge gap that need to be filled. It is based on this note that the research work was carried out on trade receivable management and financial performance of listed consumer goods companies in Nigeria.

Statement of Problem

Every business organization required liquid resources of adequate nature to maintain the flow of cash daily because even a profitable company may go under without enough flow of cash to meets its liabilities (Adeniyi, 2008). Account receivables management is important in determining the profitability of any business enterprise because organizations rely mainly on trade credit, short-term bank loan and owner financing to finance their operations.

Ebide, (2009) opines that a greater number of organization failures in the past were blamed on financial manager's inability to plan and control their receivables. These inadequacies among financial managers as reported earlier are found among some organization in form of high bad debt affecting their operating performance.

It is based on the problem that this study trade receivable management and financial performance of listed consumer goods company in Nigeria was undertaken to actually determine if trade receivable management influences financial performance of listed consumer goods companies in Nigeria.

Purpose of the Study

The main purpose of this study is to identify if trade receivable management influences financial performance of listed consumer goods companies in Nigeria. The specific objectives are to:

- Ascertain if Account Collection Period (ACP) influences Net Profit Margin of listed consumer goods companies in Nigeria.
- Investigate if Account Receivable Turnover (ART) influences Net Profit Margin of listed consumer goods companies in Nigeria.
- Evaluate if Account Collection Period (ACP) influences Return on Asset of listed consumer goods companies in Nigeria.
- Determine if Account Receivable Turnover (ART) influences Return on Asset of listed consumer goods companies in Nigeria.

Research Hypothesis

This work is guided by the following hypothesis;

Ho_1: There is no significant relationship between Account Collection Period and Net Profit Margin of listed consumer goods companies in Nigeria.

Ho_2: There is no significant relationship between Account Receivable Turnover and Net Profit Margin of listed consumer goods companies in Nigeria.

Ho_3: There is no significant relationship between Account Collection Period and Return on Asset of listed consumer goods companies in Nigeria.

Ho_4: There is no significant relationship between Account Receivable Turnover and Return on Asset of listed consumer goods companies in Nigeria.

Literature Review

Chris, Kennedy and Agnes (2017), Conducted a study on effect of receivable management practices on financial performance in East Africa. Descriptive research design was used in the study. The study was anchored on trade-off model theory. The primary source of data was used in the study. The data were collected through judgement sampling technique of 82 (eighty-two) respondent which are management employees of Delotte East Africa Limited in Nairobi. The instrument used for data collection was structure questionnaire. The data collected were analysed by use of descriptive statistics. The finding of the study established that receivables have significant effect on the financial performance of an organisation. It was stated that proper receivable management in an organization determines its financial performance. It was recommended that companies should look for ways to reduce credit sales in other to reduce default rate.

Dirie and Ayuma (2018), Conducted a study on the effect of accounts receivables management on financial performance in small and medium firms in Mogadishu-Somalia. The theories used to back up the study were transaction cost economics theory and agency theory. The methodology adopted in the study was the survey research design. Primary data was used and probability and non-probability sampling procedure were used to select 81 (eighty-one) SMEs for the study. The instrument for data collection was questionnaire. The collected data were analysed using statistical tools such as, Pearson Correlation and Correlation coefficient alongside with descriptive statistics. The study revealed debt management, credit policy management and inventory management were found to have significant positive correlations on financial performance. The study concluded that account receivable management effect of financial performance of SMEs. It was recommended that management of SMEs should initiate a sound strategy towards credit policy management so as to avert the problem of mismatching investment and also the quality of credit should be enhanced.

Dirya, Simran and Varkita (2017), Investigated effects of receivables management on profitability in India. The referent of receivable management used was debtor turnover ratio and the profitability proxies used was return on capital employed. The methodology adopted in the study was descriptive research design. Secondary sources of data used for the study was obtained from six commercial vehicles industry in India for a period of 2009 to 2016. The method of data analysis used was descriptive statistics, multiple regression and correlation analysis. The result showed that debtor turnover ratio has positive significant relationship with return on capital employed. This means that increase in debtor turnover ratio positively influence return on capital employed. It was concluded that increase in receivable management will increase firm profitability it was recommended that firm should focus on how to manage their receivable efficiently through better credit policy and collection effort especially in commercial vehicle industry.

Abbdullahi, Rahima and Abass (2016), investigated effect of trade receivables and inventory management on SMEs performance in Malaysia. The descriptive research design was used for the study, secondary data were collected from 66 SMEs from 2006-2012. The collected data were analysed using descriptive statistics and regression analysis. The result of the finding indicated that account receivable days and inventory turnover days relate negatively in profitability of SMEs. This study suggested that managers of SMEs can improve profitability by reducing cash conversion cycle days.

Abdulazeez, Baba, Fatima and Abdulrahaman (2018), investigated working capital management and financial performance of listed conglomerate companies in Nigeria. The working capital management proxies used were debtor collection period, cash conversion cycle and creditor payment period whereas the proxy for financial performance used was return on investment and the control variable used was firm size. The methodology adopted was ex-post facto research design. Secondary data was used for the study, which was collected from annual report of the companies under study for a period of ten years (2005-2014). The data were analysed using descriptive statistics, multi-collinearity and ordinary least square regression. The result revealed that debtor collection period, creditor payment period and firm size negatively related to return on investments while cash conversion cycle had insignificant positive relationship with financial performance. It was conclude that working capital management influences financial performance. The study recommended that listed conglomerate companies should maintain the current debtors collection period or further reduces it in order to continue enhancing financial performance.

Ajayi, Abogun and Odediran (2017), investigated impact of working capital management on financial performance of quoted consumer goods manufacturing firms in Nigeria. The dimensions used for the independent variable are Average collection period, cash conversion cycle and average payment period while the dimensions of financial performance used are return on asset and gross operating profit. The theory used to anchor the study was pecking order theory. The study adopted descriptive research design. Secondary data was used for the study which was collected from annual report of 15 companies through purposive sampling technique from 2005 to 2014. The data were analysed using descriptive statistics and panel regression analysis. The result of the analysis showed cash conversion cycle had a significant negative relation with return on asset while Average collection period (ACP) had positive significant relationship with gross operating profit. The study concluded that working capital management influences financial performance of consumer goods companies in Nigeria.

Bab, Muhammad and Najam (2018), investigated the impact of working capital management on profitability in Pakistan. The referent of predictor variable used were inventory turnover, cash conversion and payable days whereas the dimension of the criterion variable used were return on assets and return on equity. The data source used was secondary which were collected from 25 chemical and pharmaceutical companies listed on Pakistan stock exchange from 2009-2014. The research design adopted was descriptive research design. The analysis of the data collected was done using correlational and regression analysis. The finding showed that cash conversion cycle, inventory days and payable days had positive significant relationship with return on assets. It also indicated that cash conversion cycle and payable days had significant positive relationship with return on equity. However inventory days had a negative association with return on equity. The study concluded that working capital had an impact on profitability. It was recommended that companies should maintain working capital component in order to improve its firm's profitability.

Femi and Ali (2016), Studied the relationship between working capital management and profitability in Turkey. The variables of working capital used are account receivable period, inventory conversion period. Account payable period and cash conversion cycle, whereas the referent for the dependent variable used are return on asset, return on equity operating profit margin and net profit margin. The methodology adopted was descriptive research design. Secondary data used were collected from purposive sampling of 120 Turkish manufacturing companies covering a period of 2003 to 2012. The data obtained were analysed using regression analysis. The result indicated a negative association between inventory conversions period and return on assets. It was discovered that account receivable period, inventory conversion period, account payment period and cash conversion cycle had positive significant association with return on assets. There was positive significant relationship between Account receivable periods and cash conversion cycle and return on equity and insignificant association was observed among inventory conversion period, account payment period and return on equity. The study concluded that working capital management impact on profitability of Turkish firm.

Francis and Charles (2018), investigated account receivables management and financial performance in Kenya. The study was anchored on operating motive theory, transaction cost theory and cash conversion cycle theory. The descriptive research design was adopted in the study. The secondary data source was used. The data were collected from published annual report of Embu water and Sanitation Company. The data were analysed using ANOVA, correlation and multiple regressions aided by SPSS version 17.0, the finding of the study revealed a strong positive correlation between account receivables management and financial performance. It was concluded that account receivables management impact on financial performance of Embu water and Sanitation Company. The study therefore recommended that there should be increase in average collection period and cash conversion cycle in order to improve financial performance.

Gonya and Mutekwe (2017), investigated the impact of working capital management components on the profitability of basic material industry in South Africa. The referent of independent variable used include account receivable days, cash conversion cycle, inventory turnover period while the proxies for dependent variable used were return on asset and return on equity. The study adopts a casual research design. The secondary data were used which was obtained from annual reports of basic material industry listed on Johannesburg stock exchange for 2002 to 2013. The collected data were analysed using descriptive statistics and regression analysis. The finding discovered negative significant association among inventory days, account receivable days and cash conversion cycle with profitability and a positive significant relationship between account payable days and profitability. The study depicted that working capital management component impact on profitability of listed basic material firm in Johannesburg stock exchange.

Jason (2017) investigated the effect of working capital management in profitability in South Africa. The dimension of working capital management variables used are account payable days, inventory turnover days, account receivable days and cash conversion cycle while dependent variable used was return on assets. The study adopted panel data methodology, secondary data used were collected from annual report of listed by manufactured companies from 2007-2016. The result showed negative association among average payment period and average collection period with profitability while positive relationship was noticed between inventory days and profitability. The study concludes that working capital management influences profitability.

Kakeeto, Micheal, Kilzah and Osunsam (2016), investigated accounts receivable management and organizational profitability in Uganda. The descriptive research design was used for the study. The study used primary data collected from 181 sample size out of a total population of 345 staff Gumutindo coffee corporative enterprise. The profitability and non-profitability sampling techniques was adopted. Stratified random sampling was adopted in selecting 181 top management units of the organization. The collected data were analysed using descriptive statistics correlation and regression. The finding showed that account receivable has a positive significant relationship on organizational profitability with a Pearson correlation co-efficient of 0.309, the study recommended improvement in account receivable management by offering cash discount to customers to encourage prompt payment.

Kilonzo, Memba and Njeru (2016), investigated effect of account receivables on financial performance of firms funded by government venture capital in Kenya. The methodology adopted in the study was descriptive research design. Primary data source were used for the study. A census of all the 24 firm funded by government venture capital in Kenya was studied, questionnaire were structured and used for the collection of data. The collected data were analysed using descriptive statistics, Pearson Correlation and multiple regression analysis aided by SPSS. The finding revealed that account receivable had a significant positive relationship on financial performance of firms funded by government venture capital in Kenya. It was recommended that managers can create value for shareholders by reducing the number of days on account receivable.

Mabele, Ondiek and Tibbs (2018), Investigated effect of accounts receivable management on PSV insurance company's performance in Kenya. The study used operating cycle theory. The methodology adopted by the study was casual research design. Primary source of data was used. The instrument was questionnaire which was administered on 62 top management units of the selected companies. Stratified random sampling technique was adopted in arriving at sample size. The collected data were analysed using descriptive statistics and regression analysis. The study finding revealed a significant positive relationship between account receivable and financial performance. It was recommended that stringent debtor management policies be adopted to help in maximization of profit.

Madugba and Ogbonnaya (2016), investigated working capital management and financial performance in Nigeria. The variables used for the working capital management measure are Average payment period and Average collection period whereas financial performance was proxies with earning per share and return on capital employed. The theories upon which the study was anchored are operating cycle theory and resources based theory. The study used ex-post facto research design. The secondary data sources were used for the studies which were collected from annual financial report of sample manufacturing companies in Nigeria. The data were analysed using multiple regression analysis. The result of the findings showed a positive relationship between Average Payment Period and return on capital. It also revealed that the relationship between Account Collection Period and Earning Per Share is negative meaning that increase in ACP will result to decrease in Earning Per Share. A positive association way also discovered between Average Payment Period and Earning per Share meaning that unit increase in APP will result to unit increase in Earning Per Share of manufacturing firm in Nigeria. The study concluded that working capital management impact on financial performance of manufacturing firms in Nigeria. It was recommended that professionals should be hired by companies to ensure effective and efficient working capital management and that more attention to be paid to cost of sales because it affect the prices of stock negatively.

Mathenge (2016), investigated the effect of trade receivables on profitability of manufacturing firms listed on Nairobi security exchange for period of 2011-2015. The profitability measures used was return on asset and trade receivables measures used include account collection period, bad debt to receivable ratio and account receivable turnover. Multiple regression and Pearson Correlation were used for the study. The finding showed that account collection period and bad debt to receivables ratio had a negative relationship with profitability while account receivable turnover had a positive but insignificant relationship on profitability. It was recommended that the firm should structure its credit policy in such a way that it will result to reduction of account collection period which has a significant effect on profitability.

In a related development Richard, Victor and Angnor (2013), in the study of working capital management and profitability of Ghanaian listed manufacturing firm covering the period from 2005-2009. Using panel data methodology for the secondary data collected from the entire 13 listed manufacturing firm in Ghana. The finding showed a significant negative relationship between profitability and account receivable days.

Ademola (2014) examined the impact of working capital management and profitability of selected quoted food and Beverages manufacturing firm in Nigeria stock exchange. The study used secondary data of 120 firms from 2002 to 2011. Correlation analysis and multiple regressions were used. The finding showed that account collection period had a significant negative relationship with operating profit.

Okpe and Duru (2015), investigated the effect of receivable management on the profitability of building materials, chemical and paint manufacturing firms in Nigeria. The methodology adopted in this study was ex-post facto research design. The secondary sources of data was used which was obtained from annual reports of selected manufacturing companies listed in Nigeria stock exchange for the period of 2000-2011. The data collected were analysed using multiple regression analysis. The result of the finding depicted that account receivable had a significant positive association with profitability of the selected companies, whereas debt ratio and sale growth rate had insignificant negative association with profitability of building materials chemical and paints companies listed in the stock exchange of Nigeria.

Oyedele, Adeniram and Oluwatosin (2017), conducted a study on working capital management and financial performance in Nigeria. The dimension of the predictor variables used include inventory conversion period, debtors conversion period, creditors conversions period and cash conversion cycle whereas financial performance proxy used was return on assets. The theories used to anchor the study are pecking order theory of liquidity, trade-off theory of liquidity and working capital cycle theory. The secondary data source was used which was collected from annual report of Nigerian breweries Plc. from 2011-2016. The collected data were analysed using descriptive and inferential statistics. The finding revealed that cash conversion cycle and inventory conversion period had negative significant relationship with return on asset. The study concluded that working capital management influences financial performance of listed Nigerian breweries Plc. It was recommended that the management of Nigerian breweries Plc. Should reduce the number of days inventory are held in store, number of days account receivable are outstanding and the account payable should be repositioned in order to reduce the cash conversion cycle.

Paul (2018), Investigated effects of receivables management practices on financial performance in Kenya. The dimension of the independent variable used for the study was account receivable period whereas the referent for the dependent variable used was operating profit margin. The study was anchored on stakeholder as well as agency theory. The primary sources of data used was collected from the study ensured of all the 43 (forty-three) private TVET institution in Elduret town through structure questionnaire. The research design adopted in the study was explanatory research design. The collected data were analysed using descriptive as well as inferential statistics. The finding revealed that account receivable period significantly correlate with operating profit margin. The study concluded that effective receivable management practice influence financial performance of private TVET institution in Elduret town. It was recommended that the institution should continue to pursue a sound credit policy that will ensure optimization in receivables management thereby impacting on financial performance.

Rahimah, Forha, Syahrul and Naraisah (2018) studied working capital management and its effect on profitability in Malaysia. The predictor variable proxies used include inventory days, account receivable days, account payable days and cash conversion cycle while the criterion variable was proxy with return on asset. The methodology used was descriptive survey. Secondary data used were collected from listed Malaysia public companies from 2010 to 2014 and the data were analysed through the use of correlation and multiple regression analysis. The result showed that account payable days and cash conversion cycle has no significant effect on return on asset whereas inventory days and account receivable day had negative significant relation with return on asset. It was concluded that working capital management impact on profitability as such managers should ensure proper management for efficient performance.

Wanyoike, (2017), conducted a study on account receivable management practices and financial performance of manufacturing firms in Kenya. The methodology adopted in the study was descriptive research design. The primary data sources were used through simple random sampling technique to collect data from the fifty manufacturing firm in Embu County. Questionnaire was used as research instrument for the collection of data. The study anchored on operating cycle theory. The data collected were analysed using correlational and multiple regression analysis. The finding from the analysis indicated that account receivable management influences financial performance. The study concluded that account receivable impact on financial performance of manufacturing firms in Kenya. It was recommended that there should be regular review of debtor discount and percentage of bad debts. It was stated that account receivables should be computerize.

Wasike, Wafula, Charles and Alala, (2019), investigated account receivable average collection period and financial performance. Secondary data were used in the study which was collected from audited financial statement of Nzobia water services companies in Kenya from 2012-2016. The explanatory research design was used in the study. The data were analysed using regression and correlation analysis. The finding depicts that average collection period and receivable turnover had significant negative impact on return on equity. The study concluded that average collection period influence financial performance. It was recommended that an organization should reduce average collection period in order to improve financial performance of the organization.

Yakubu and Gbenga (2019), investigated accounts receivable management and financial performance of selected quoted firm in Nigeria. The referent of account receivable management variables used includes account receivables ratio, debt ratio and revenue growth whereas the dimension of financial performances variables used was return on assets. The methodology adopted in the study was correlational research design. Secondary data collected from ten (10) listed companies in Nigerian Stock Exchange using purposive sampling technique from 2012 to 2018. The analyses of collected data were done using ordinary least square regression, Pearson correlation and t-test. The finding revealed that account receivables debt ratio and revenue growth has a strong positive significant relationship with financial performance of selected firms in Nigeria. The study concluded that account receivables management impacts on financial performance of quoted selected firms in Nigeria.

Agency Theory

Clarke (2004), Opines that the principals who are the shareholder of the company delegate the running of the business organization to the directors. The owners of the business who are the shareholders of the company require the services of the directors to manage their enterprise, by making decision on their behalf. Following, agents makes decision which may be at variants with that of the principal (Padilla, 2002). The agency theory relates to management of trade receivables from the perspectives that trade receivable managers who are also known as credit control manager make decisions which are paramount to success or failure in relating to management of trade receivable in the organization. His decision have a very big impact on the shareholders wealth, this is due to the fact that if he might fail to sell to credit worthy customers as a result there could be reduction in revenue due to minimal or low sales. On the other perspective he might decide to sell unknowingly to un-credit worthy customers, which will increase bad debt expenses and thereby reducing the wealth of shareholder. Agency theory tend to find a balance between the agent and principal such that the credit control managers (agents) decision always have the top interest of the shareholders at heart.

Methodology

This study adopted the use of ex-post facto research design, which gathers data so as to enable further evaluation of the available fact. The population of the study consists of Ten (10) Listed consumer goods companies in Nigeria. Secondary data collection method from latest published financial statements of Ten (10) listed consumer goods companies in Nigeria stock exchange from 2012-2021 were used. The least square multiple regression technique and Pearson's product moment correlation analysis aided by statistical package for social sciences (SPSS) was used to measure the influence of the independent variable on the dependent variable. Multiple regression analysis is a statistical package that is concerned with the estimation of the dependent variable using two or more independent variable. The method of multiple regression analysis helps to evaluate the extent to which each of the independent variable contributes to change in the dependent variable (Mac'Odo, 2006).

The general multiple regression models are presented below:

FP = f (TRM)

NPM $= \beta_0 + \beta_1 \text{ ACP} + \beta_2 \text{ ART} + \mu_2$ ………………… 1

ROA $= c_0 + c_1 \text{ ACP} + c_2 \text{ ART} + \mu_2$ …………………… 2

Where

FP = Financial Performance

NPM = Net Profit Margin

ROA = Return on Asset

ACP = Account Collection period

ART = Account Receivable turnover

B,C = Regression coefficient

U = Error term

Results

This section focuses on Data Analysis and Discussion of Findings.

Table 1 Summary of Descriptive Statistics on the study variables

Statistics

		ACP	ART	NPM	ROA
N	Valid	100	100	100	100
	Missing	0	0	0	0
Mean		66.456	41.501	-2.1797	0.8159
St. deviation		59.293	65.181	37.213	8.4420

Source: SPSS Output, 2022

Table 1; above showed account collection period (ACP) mean value of 66.456 as well as standard deviation value of 59.293. Account receivable turnover mean value of 41.501 as well as standard deviation value of 65.181. Net Profit Margin mean value of -2.1797 as well as standard deviation value of 37.213, while Return on Asset mean value of 0.8159 as well as standard deviation value of 8.4420.

Table 2 Correlation Analysis on trade receivable and financial performance.

Correlation

		Receivables	Financial Performance
Receivables	Pearson Correlation	1	0.508**
	Sig (2-tailed)		0.034
	N	100	100
Financial Performance	Pearson correlation	0.508**	1
	Sig (2-tailed)	0.034	
	N	100	100

**Correlation is Significant at 0.05 levels (2-tailed)

Source: SPSS Output, 2022

Table 2 depicted positive correlation coefficient of 0.508 significant at 0.034<0.05 level of significance indicating a moderate association between trade receivables and financial performance. The observed positive correlation co-efficient entails that improve financial performance is attributed to reduction in Account Receivable Days. The researcher concludes that there is significant relationship between trade receivable management and financial performance of listed consumer goods companies in Nigeria. This study corroborate the work of Francis, et al (2018), Yakubu, et al (2019) and Mabele et al (2018) who also observed a positive relationship between account receivables and financial performance.

Table 3 Regression result on Account Collection Period and Account Receivable Turnover on Net profit Margin

Variables	Coef	t-cal	t-tab (0.05,89)	Sig. T	R	R^2	Durbin Watson	F-cal	F-tab(0.05,3,84)	Sig f
Constants	6.234	2.692		0.009						
ACP	-6.986	-2.642	1.987	0.041	0.412	0.169	2.036	3.199	2.711	0.027
ART	0.316	2.161		0.039						

Dependent Variable: Net Profit Margin
Source: SPSS Output 2022

NPM = f(ACP, ART) …………………………… 1

NPM = $\beta_0 + \beta_1$ ACP + β_2 ART + μ_2 …………….. 2

NPM = 6.234 – 6.986 ACP + 0.316 ART

t-value in bracket (2.692)(2.642)(2.161)

The above Table 3 depicted that Pearson Correlation Coefficient 0.412, show moderate relationship between the regressors and net profit margin. The determination Co-efficient R^2 = 0.169, means that 16.9% variation in net profit margin is explained by changes in the regressors, while 83.1% Changes in Net profit margin is attributed to other variables not in the model. F-cal of 3.199 had an associated probability value of 0.027, so the researcher concludes that the model was useful. Standard F-cal 3.199>$\text{F-tab}_{(0.05,3,86)}$ = 2.711. Also the Durbin Watson Statistics revealed the study value of 2.036 indicating the absence of auto correlation, therefore the utility of the model was upheld.

Account Collection Period (ACP) with t-value |2.642|>$\text{t-tab}_{(0.05,89)}$ = 1.987 indicating probability value of 0.041<0.05 level of significance. The researcher therefore, declared that Account Receivable turnover ratio significantly affect net profit margin of listed consumer goods companies in Nigeria. Also accounts receivable turnover (ART) with t-value |2.161|>$\text{t-tab}_{(0.05,89)}$ = 1.987 showing probability value of 0.039<0.05 level of significance. The researcher therefore declared that account receivable turnover ratio significantly affect net profit margin of listed consumer goods companies. The findings concord with the work of Mathenge 2016, which established a negative relationship between account collection period and return on asset and a positive relationship with account receivable turnover and profitability.

Table 4 Regression Result on account collection period and account receivable turnover on Return on Asset

Variables	Coef	t-cal	t-tab (0.05,89)	Sig. T	R	R^2	Durbin Watson	F-cal	F-tab (0.05,3,86)	Sig. f
Constants	7.061	1.645		0.003						
ACP	-5.161	-2.012	1.987	0.031	0.416	0.173	2.018	4.756	2.711	0.021
ART	1.102	2.010		0.030						

Dep. Variable: Return on Asset

Source: SPSS Output 2022

Dependent Variable: Reliability

ROA = f(ACP, ART) …………………1

ROA = $c_0 + c_1$ ACP + c_2 ART + μ_2 ….. 2

ROA = 7.061 – 5.161 ACP + 1.102 ART

t-values in bracket (1.645)(2.012)(2.010)

The above tables depicted Pearson Correlation Coefficient 0.416, indicating weak relation between regressors and return on asset. The Coefficient of determination R^2=0.173, meaning 17.3% changes in return on asset is attributed to changes in the regressors, while 82.7% changes in return on asset is attributed to other variables that is not part of the model. The F-cal of 4.756 had a corresponding probability value 0.021<0.05 level of significance so; the researcher declared the model was useful. Conventional F-cal of 4.756>F-tab$_{(0.05,3,86)}$ = 2.711. Therefore the researcher declared the model useful. However the Durbin Watson Statistics observed value 2.018 indicates absence of auto-correlation. Therefore, the researcher upheld the utility of the model.

Account Collection Period with t-value |2.012|>t-tab $_{(0.05,89)}$ = 1.987 as well as probability value 0.031<0.05 level of significance, the researcher therefore declared that account collection period influence return on asset of listed consumer goods companies in Nigeria significantly.

Account receivable turnover had t-value |2.010|<t-tab$_{(0.05,89)}$ = 1.987 as well as important probability value 0.030<0.05 significance level. The researcher therefore affirms that account receivable turnover affect return on asset of listed consumer goods companies significantly in Nigeria. This work was in consonance with that of Divya et al (2017), and Paul (2018) that established a strong association between account collection period and profitability.

Conclusion

The term trade receivable denotes an amount owed to a business by its client arising from sales of goods and provision of services on credit. Every business organization must ensure adequate management of account receivable (account collection period and account receivables turnover) to remain profitable and avoid liquidity problem. (Filbeck and Krueger, 2005)

This study was carried out to determine the influence of trade receivable management on financial performance of listed consumer goods companies operating in Nigeria. The study discovered moderate positive correlation 0.508* which was significant at 0.034<0.05 on the relationship between trade receivable management and financial performance. The observed positive correlation coefficient indicating increase in financial performance entails a reduction in account receivable days. Accordingly, the study concludes that adequate trade receivable management impacts on financial performance of listed consumer goods companies in Nigeria.

Recommendation

Based on the finding, management should:

- Adopt efficient credit policy that will ensure short period collection of account receivable in order to improve the financial performance of their corporation.
- Device ways to reduce credit sales in other to reduce default rate and create value for shareholder wealth.
- Regularly review account receivable discount and rate to attract prompt payment.
- Computerize account receivable to facilitate easy monitoring.

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