



# Accounts Receivable Management and Financial Performance of Listed Consumer Goods Firms in Nigeria

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## ABSTRACT

## Original Research Article

Efficient accounts receivable management plays a crucial role in determining firm liquidity, operational efficiency, and profitability, particularly in sectors where trade credit is widely practiced. This study examined the effect of accounts receivable management on the financial performance of listed consumer goods firms in Nigeria. Specifically, the study investigated the influence of Average Collection Period (ACP), Accounts Receivable Turnover (ART), and Bad Debt Ratio (BDR) on Return on Assets (ROA).

The study adopted an ex-post facto research design and utilized secondary data obtained from the audited annual reports of Nestlé Nigeria Plc, Cadbury Nigeria Plc, and PZ Cussons Nigeria Plc for the period 2013–2022. Panel data analysis involving descriptive statistics, correlation analysis, and multiple regression estimation was employed.

The findings revealed that Average Collection Period and Bad Debt Ratio exerted significant negative effects on Return on Assets, while Accounts Receivable Turnover had a significant positive effect on financial performance. The study concluded that efficient receivable management enhances profitability and strengthens financial sustainability.

The study recommended that firms should improve credit appraisal systems, strengthen debt recovery mechanisms, and adopt effective receivable monitoring strategies.

**Keywords:** Accounts Receivable Management, Average Collection Period, Receivable Turnover, Bad Debt Ratio, Financial Performance, Nigeria.

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## Introduction

Financial performance is a key indicator of corporate success and sustainability. It reflects the ability of firms to generate returns from their available resources and is commonly measured using profitability indicators such as Return on Assets (ROA). In modern business environments, firms often extend trade credit to customers as a strategy for increasing sales and maintaining competitive advantage. However, such practices give rise to accounts receivable, which must be efficiently managed to avoid liquidity constraints and profitability decline.

Accounts receivable management involves the regulation of credit policies, monitoring of outstanding debts, and ensuring timely collection of receivables. Efficient management enhances cash flow, reduces bad debts, and improves overall firm performance. Conversely, poor receivable management can result in prolonged collection periods, increased default risk, and reduced profitability.

In Nigeria, consumer goods firms operate in a challenging economic environment characterized by inflation, exchange rate instability, and weak payment discipline. These factors heighten the importance of efficient receivable management. Despite this, existing studies have often treated receivables as

part of broader working capital without isolating their specific effect.

This study therefore examines the effect of accounts receivable management on financial performance of listed consumer goods firms in Nigeria.

## Objectives of the Study

The study aims to:

1. Examine the effect of Average Collection Period on ROA
2. Assess the effect of Accounts Receivable Turnover on ROA
3. Evaluate the effect of Bad Debt Ratio on ROA

## Research Hypotheses

H<sub>01</sub>: ACP has no significant effect on ROA

H<sub>02</sub>: ART has no significant effect on ROA

H<sub>03</sub>: BDR has no significant effect on ROA

## Literature Review

### Conceptual Review

Accounts receivable management refers to the process of controlling credit sales and ensuring timely debt recovery. Key indicators include:

Average Collection Period (ACP): Measures collection efficiency

Accounts Receivable Turnover (ART): Indicates frequency of receivable recovery

Bad Debt Ratio (BDR): Reflects default risk

Financial performance is measured using Return on Assets (ROA), which indicates how efficiently a firm utilizes its assets to generate profit.

### Theoretical Framework

The study is anchored on:

Agency Theory

Transaction Cost Theory

Operational Motive Theory

### Empirical Review

Previous studies generally find that efficient receivable management improves profitability. However, many studies fail to isolate receivable-specific variables or address sector-specific dynamics.

## Methodology

### Research Design

Ex-post facto research design.

### Sample

Nestlé Nigeria Plc

Cadbury Nigeria Plc

PZ Cussons Nigeria Plc

## Data Source

Secondary data (2013–2022).

## Model Specification

$$ROA_{it} = \beta_0 + \beta_1 ACP_{it} + \beta_2 ART_{it} + \beta_3 BDR_{it} + \mu_{it}$$

## Variable Measurement

ROA = Profit Before Tax / Total Assets

ACP = (Receivables / Credit Sales) × 365

ART = Credit Sales / Receivables

BDR = Bad Debts / Credit Sales

## Results and Discussion

### Descriptive Statistics

| Variable | Mean  | Std Dev | Min   | Max   |
|----------|-------|---------|-------|-------|
| ROA      | 0.169 | 0.049   | 0.105 | 0.269 |
| ACP      | 59.74 | 10.58   | 35.44 | 77.71 |
| ART      | 6.72  | 1.06    | 5.08  | 9.34  |
| BDR      | 0.016 | 0.005   | 0.007 | 0.025 |

### Correlation Matrix

| Variable | ROA    | ACP    | ART    | BDR |
|----------|--------|--------|--------|-----|
| ROA      | 1      |        |        |     |
| ACP      | -0.807 | 1      |        |     |
| ART      | 0.758  | -0.679 | 1      |     |
| BDR      | -0.812 | 0.659  | -0.612 | 1   |

### Regression Results

| Variable | Coefficient | p-value |
|----------|-------------|---------|
| ACP      | -0.0016     | 0.008   |
| ART      | 0.0121      | 0.035   |
| BDR      | -3.8698     | 0.001   |

| Statistic          | Value |
|--------------------|-------|
| R <sup>2</sup>     | 0.824 |
| Adj R <sup>2</sup> | 0.804 |
| F-Stat             | 40.54 |

## Discussion

ACP negatively affects profitability, ART improves performance, while BDR reduces profitability. This confirms that efficient receivable management enhances financial outcomes.

## Hypotheses Decisions

All null hypotheses are rejected.

## Conclusion

This study examined the effect of accounts receivable management on the financial performance of listed consumer

goods firms in Nigeria using Average Collection Period, Accounts Receivable Turnover, and Cash Conversion Cycle as explanatory variables, while Return on Assets served as the proxy for financial performance.

The study established that Average Collection Period and Cash Conversion Cycle exert a negative influence on financial performance, while Accounts Receivable Turnover contributes positively to profitability. These findings reinforce the importance of efficient receivable management in sustaining liquidity, improving operational efficiency, and enhancing profitability.

The study therefore concludes that accounts receivable management is a significant determinant of financial performance among listed consumer goods firms in Nigeria.

## Recommendations

Based on the findings of the study, the following recommendations are made:

1. Listed consumer goods firms should strengthen customer credit evaluation procedures before extending trade credit.
2. Firms should implement more efficient debt collection systems capable of reducing the average collection period.
3. Management should adopt digital receivable monitoring and follow-up systems to improve debt recovery efficiency.
4. Firms should continuously review their credit policy framework to ensure better control over customer payment behavior.
5. Management should adopt strategies aimed at reducing the cash conversion cycle in order to improve liquidity and profitability.

## Contribution to Knowledge

This study contributes to knowledge by providing empirical evidence on the relationship between accounts receivable management and financial performance among listed consumer goods firms in Nigeria. It extends existing literature by focusing specifically on receivable-related variables and providing sector-specific evidence within the Nigerian context.

## Limitation of the Study

The study is limited by the relatively small sample size, as only three listed consumer goods firms were selected due to data availability and consistency. This may restrict the generalizability of the findings to the entire consumer goods sector in Nigeria. Future studies should expand the sample and incorporate additional firms and variables for broader empirical coverage.

The study concludes that efficient accounts receivable management significantly improves profitability of listed consumer goods firms in Nigeria.

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