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Accounts Receivable Management and Financial Performance of Listed Manufacturing Firms in Nigeria

Gideon Akinleye[1], Olufemi Adesina[2]

Abstract: Objectives: This study investigates the effect of accounts receivable management on the financial performance of listed manufacturing firms in Nigeria, using net profit margin and current ratio as performance measures. **Prior Work:** Extant literature highlights the critical role of accounts receivable management in ensuring optimal cash flow and liquidity. Previous empirical studies in Nigeria have shown mixed results, primarily focusing on profitability. This study addresses the gap by simultaneously examining profitability and liquidity. **Approach:** An ex-post facto research design was employed using panel data from 19 manufacturing companies listed on the Nigerian Exchange Group (2011–2022), analyzed via Random and Fixed Effects regression models. **Results:** The cash conversion cycle shows a significant negative effect, while the accounts receivable period shows a significant positive effect on the current ratio. Effects on net profit margin were insignificant, with only the debt-to-assets ratio showing a significant negative effect on both measures. **Implications:** Managers should adopt robust credit policies and prompt collections to enhance liquidity. Academically, the study confirms a stronger link between receivable management and liquidity than profitability in the Nigerian manufacturing context. **Value:** This study uniquely incorporates liquidity alongside profitability as performance measures, providing recent empirical evidence capturing post-trade policy reform effects in Nigeria.

Keywords: Liquidity; Profitability; Cash flow; Ex-post facto research design; Nigerian Exchange Group

JEL Classification: Journal of Accounting and Management

1. Introduction

Accounts receivable management, which involves the policies and practices adopted by firms to monitor and collect payments from customers, emerges as a critical aspect of financial management for manufacturing firms (Pandey, 2018). Accounts receivable management plays a crucial role in the financial health and performance of manufacturing firms worldwide (Pandey, 2018). Efficient

[1] Faculty of Management Sciences, Ekiti State University, Ado-Ekiti, Nigeria, Address: Ado-Iworoko Road, P.M.B. 5363, Ado-Ekiti 360101, Ekiti State, Nigeria, E-mail: gtakinleye@eksu.edu.ng.

[2] School of Business and Management Studies, Federal Polytechnic, Ile-Oluji, Nigeria, Address: Ipetu Ijesa Road, P.M.B. 727, Ile-Oluji, Ondo State, Nigeria, Corresponding author: olufemiadesina@fedpolel.edu.ng.

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management of accounts receivable ensures optimal cash flow, liquidity, and profitability for businesses and minimizes the risk of bad debts (Garrison et al., 2019).

According to Waweru (2013), poor accounts receivable management and control can interrupt a company's everyday operations owing to cash flow concerns, resulting in non-payment to suppliers. Writing off bad loans lowers the firm's profitability. If accounts receivable hold a lot of capital, the firm may need loans to operate. The corporation loses money on interest on this borrowed money. Poor debtor management can lower financial institution credit ratings, making it difficult to obtain financing for operations, which is usually expensive. The firm's large accounts receivable has caused liquidity concerns. Since the firm cannot meet its financial obligations, production may stop. In extreme cases, the firm may go insolvent and enter receivership. Efficient receivables management entails monitoring credit extension policy, receivable conversion duration, accounts receivable turnover, and receivable financing, which affect financial performance.

The relationship between Nigerian manufacturing enterprises' accounts receivable duration and turnover is crucial to understanding credit management and cash flow cycle efficiency (Adams, 2019). It emphasises liquidity management and company profitability (Chen & Wang, 2018). Receivable turnover inversely affects accounts receivable time. Shorter accounts receivable periods mean faster collections and a greater turnover ratio, while longer periods slow collections and lower turnover ratios. Manufacturing enterprises in Nigeria benefit from shorter accounts receivable periods and better turnover ratios, indicating the ability to quickly turn revenues into cash, improving working capital management and financial commitments (Thompson, 2018).

The Cash Conversion Cycle (CCC) is a comprehensive metric for assessing working capital. It quantifies the time gap between cash outflows for purchases and cash inflows from sales collection (Padachi, 2006). Arnold (2008) states that a shorter CCC requires fewer resources for the company. A lengthier cycle will result in greater expenditure on working capital, but it could potentially boost sales and enhance profitability. Pandey (2018) contended that a prolonged collection process leads to a delay in cash inflows, resulting in a weakened liquidity position for the firm, which raises the likelihood of incurring bad debt losses and ultimately has a negative influence on financial performance.

The link between the accounts receivable period and the size of the organization represented by total assets is often indirect but significant. In larger organizations, more extensive operations and a broader customer base can lead to longer accounts receivable periods due to more complex sales cycles and a higher volume of transactions. Moreover, when a company has a high level of total liability relative to total assets, it might resort to offering lenient credit terms to attract customers, consequently extending the accounts receivable period (Brealey et al., 2017).

Challenges in receivable management and delayed receivable collection are significant concerns for manufacturing firms in Nigeria. Lack of well-defined credit policies and procedures can lead to inconsistent credit approval processes, resulting in extended credit periods and delays in receiving payments (Phillips & Mumin, 2018). Without clear guidelines, there may be ambiguity regarding credit terms and inefficiencies in the credit approval process (Korukoglu, 2019). Inadequate credit information on customers can make it challenging to assess the creditworthiness of buyers, leading to higher credit risks and potential defaults (Smith & Jones, 2020). Also, weak follow-up on overdue invoices and lack of communication with customers regarding payment deadlines can lead to delays in receivable collection (Brown & Johnson, 2019).

Profitability and liquidity are crucial to an organization's operating performance. An enterprise that does not plan to make a profit or manage liquidity may fail and go bankrupt (Adeniji, 2008). This study measures profitability using net profit margin and liquidity using the current ratio. Given the specific constraints and opportunities in Nigeria's economic landscape, it is crucial to comprehend the connection between accounts receivable management and the financial success of industrial enterprises listed in the country. The objective of this study is to examine and assess the relationship between the methods of managing accounts receivable and the financial performance of manufacturing enterprises listed on the stock exchange in Nigeria, and to offer significant insights into the correlation between good accounts receivable management and the financial health and sustainability of manufacturing enterprises in the Nigerian market.

2. Related Works

Several empirical studies have examined the relationship between accounts receivable management and financial performance across different countries and industries.

Ramana, Ramakrishnaiah and Chengalrayulu (2013) examined how accounts receivable management affects working capital and profitability in Indian cement companies from 2001 to 2010. Using ratios such as receivables to total assets, sales, average collection period, working capital, and profitability to show receivables management effectiveness, the study found that cement industry receivable management was efficient and significantly affected both working capital and profitability.

Anastasia, Michael and Innocent (2014) conducted a study on the performance of manufacturing enterprises in Nigeria's food and beverage industry and their accounts receivable management, using variables of sales growth, accounts receivable, and debt for the period 2000–2011. Using multiple regression, the research found a negative and statistically negligible impact of accounts receivable on profitability, while debt showed a positive though insignificant effect on profits.

Kilonzo, Memba and Njeru (2016) conducted a study on the impact of accounts receivable management on the financial performance of twenty-four (24) government venture capital enterprises in Kenya. With a 71% response rate, the study employed both descriptive and inferential analysis techniques and discovered a positive association between accounts receivable and the financial success of government-backed investment firms in Kenya.

Wanyoike (2017) examined how different accounts receivable management techniques affected the bottom lines of Kenyan manufacturing firms, using a sample of 50 manufacturing businesses in Embu County with an 88.5% questionnaire response rate. The results showed that accounts receivable was directly related to the financial performance of Kenyan manufacturing companies.

Abubakar and Olowe (2019) investigated the impact of Accounts Receivable Management on the profitability of selected Nigerian publicly listed companies using an intended sampling strategy for seven companies. Using accounts receivable ratios, debt ratios, and revenue growth to assess AR management, and Return on Equity (ROE) as the performance metric, the study found that accounts receivable ratio, debt ratio, and revenue growth positively affected the financial performance of the selected listed firms.

Dan (2020), in a study spanning 2010–2019, looked at the financial performance of publicly traded industrial companies in Nigeria and found that the accounts receivable term has a positive and

substantial effect on the return on assets of sampled Nigerian consumer goods manufacturing businesses, using OLS regression with accounts receivable period as the explanatory variable.

Tarurhor and Owolabi (2022) explored the impact of accounts receivable and inventory conversion management (ICM) on company financial performance across seventy-six (76) non-financial businesses from 2011 to 2019, using panel methods. Results from fixed and random effect panel regression analysis showed that return on assets is significantly affected by account receivable management and inventory conversion management.

Adeboboye et al. (2022) evaluated how accounts receivable management affects publicly traded Nigerian manufacturing companies' finances using secondary financial statements from 2012–2021 for 20 Nigerian-listed industrial and consumer enterprises. The study found that the average collection time does not significantly affect return on capital employed or earnings per share of publicly traded Nigerian manufacturing enterprises.

Jonah et al. (2022) evaluated how trade receivables affect listed Nigerian consumer products companies' financial performance, examining the Account Collection Period (ACP) and Account Receivable Turnover (ART) in relation to Net Profit Margin and Return on Assets using data from 2012–2021. The study found that Account Collection Period negatively correlated with Net Profit Margin and Return on Assets, while Account Receivable Turnover correlated positively with both performance indicators.

3. Problem Statement

Although there have been numerous previous studies on accounts receivable management and financial performance in manufacturing firms, prior research has largely focused on profitability measures as the sole measure of financial performance. Recognizing that receivable management has a strong link with liquidity indicators in manufacturing companies, there exists a significant research gap in the existing literature.

Manufacturing firms in Nigeria face persistent challenges related to accounts receivable management, including lack of well-defined credit policies, inadequate credit information on customers, and ineffective follow-up on overdue invoices (Phillips & Mumin, 2018; Korukoglu, 2019; Brown & Johnson, 2019). These challenges can severely impact a company's cash flow and overall financial health. In an environment where cash flow management is critical, delays in receivable collection can cause significant liquidity crises and affect the sustainability of manufacturing operations.

Furthermore, none of the preceding investigations extended their study period to 2022, and none have specifically examined the combined effect of accounts receivable management on both profitability and liquidity measures concurrently for Nigerian manufacturing firms within the post-trade-policy-reform era beginning 2011. This study therefore fills this gap by including the liquidity ratio in addition to the standard profitability ratio in measuring financial performance in Nigerian manufacturing companies, spanning the twelve-year period from 2011 to 2022, and contributes to the body of knowledge by shedding light on the specific factors influencing accounts receivable management practices and their subsequent impact on financial performance metrics.

4. Conceptual and Terms

4.1. Accounts Receivable Period

The accounts receivable period is a measure of how long it typically takes for a business to get payment for sales made on credit. According to Jones et al. (2020), it shows the average time it takes to turn accounts receivable into cash. Companies with a shorter accounts receivable period tend to recover payments more rapidly, whilst those with a longer period tend to collect payments more slowly.

4.2. Receivable Turnover

By calculating the average number of times an organisation collects on its accounts receivable balance, accounts receivable turnover provides insight into the efficacy of its accounts receivable management. Smith (2018) states that it is determined by dividing the average accounts receivable amount by net credit sales.

4.3. Cash Conversion Cycle

When a business invests in inventory and other resources, the cash conversion cycle tracks how long it takes for those inputs to turn into sales-based cash flows (Brown & Davis, 2021). According to Johnson (2017), it is primarily comprised of three parts: Days Sales Outstanding (DSO), Days Payable Outstanding (DPO), and Days Inventory Outstanding (DIO).

4.4. Total Assets

In accounting, a company's total assets include both its physical and intangible resources, such as property, equipment, inventories, patents, and goodwill. According to the Corporate Finance Institute (2022), these assets are detailed on the statement of financial position and reveal how much money and what kinds of resources a business has.

4.5. Total Liabilities

All of a business's debts and commitments to outside parties, such as loans, accounts payable, and accrued expenses, make up its total liabilities. These items also show up on the statement of financial position and show how much money a company has coming in from places other than its shareholders (Corporate Finance Institute, 2022).

4.6. Net Profit Margin

A financial indicator that measures a company's profitability, net profit margin is calculated as the proportion of total revenue that is turned into net profit. To get the percentage, divide the net profit by the total income, and multiply the result by 100. After deducting all charges, such as taxes, interest, and operational costs, it essentially shows the percentage of each naira that becomes profit for the corporation (Corporate Finance Institute, 2022).

4.7. Current Ratio

An indicator of a company's liquidity, the current ratio compares its current assets to its current liabilities. The formula is: total current assets divided by current liabilities. This ratio shows how well a business can cover its immediate debts with the money it has on hand (Accounting Tools, 2022). A high current ratio strongly indicates the capacity to meet short-term obligations, while a low ratio may signal liquidity concerns.

4.8. Theoretical Framework

4.8.1. Cash Conversion Cycle Theory

In 2001, Blinder and Maccini introduced the cash conversion cycle (CCC). This theory measures how well a corporation manages its working capital, specifically how long it takes to turn inventory into sales revenue. The CCC includes inventory holding days, accounts receivable collection days, and accounts payable payment days (Johnson, 2017), and analyses these components to optimise cash flow management and suggest ways to streamline processes, save costs, and boost profits.

Manufacturing enterprises' accounts receivable and cash conversion cycles are closely connected (Smith, 2018). Companies offer credit to clients to boost sales and build relationships (Adams, 2019). Days Sales Outstanding (DSO) increase as a company takes longer to collect its accounts receivable (Lee et al., 2019). High DSOs from delayed client payment collections extend the cash conversion cycle (Kumar, 2020). Nigerian manufacturers must therefore optimize their cash conversion cycle through effective accounts receivable management (Wilson, 2016), balancing credit extension to boost sales with prompt collections to maintain cash flows (Garcia & Martinez, 2021). A high DSO can cause cash flow issues, making it harder for a company to satisfy obligations and invest in growth (Thompson, 2018).

4.9. Conceptual Framework

The conceptual framework for this study positions accounts receivable management variables — including the accounts receivable period, receivable turnover, and cash conversion cycle — as independent variables. Control variables include firm size (total assets) and leverage (debt-to-total-assets ratio). The dependent variables representing financial performance are the Net Profit Margin (profitability) and the Current Ratio (liquidity). The framework posits that efficient management of accounts receivable directly influences both the profitability and liquidity positions of manufacturing firms.

5. Solution Approach

5.1. Research Design

This study utilises panel data from the consumer goods and industrial goods sub-sectors and adopts an ex-post facto research design. The study is descriptive in nature, where secondary data was obtained from the annual reports and audited financial statements of the chosen manufacturing enterprises spanning from 2011 to 2022. The study population consists of thirty-three (33) manufacturing enterprises in the subsectors of the Nigerian Exchange Group throughout the specified study period. A

total of 19 manufacturing companies were included in the study, selected based on the ease of accessing their financial statements and accounts during the study period using a purposive sampling approach.

5.2. Model Specification

The general model for this study is specified as:

$$\mathbf{Y = a + b_1(X_1) + b_2(X_2) + b_3(X_3) + b_4(X_4) + b_5(X_5) + \mu}$$

The specific models estimated are:

$$NPM = a + b_1(ACRVP) + b_2(REVTUR) + b_3(CCC) + b_4(Assets) + b_5(DEBTOA) + \mu$$

$$CURR = a + b_1(ACRVP) + b_2(REVTUR) + b_3(CCC) + b_4(Assets) + b_5(DEBTOA) + \mu$$

Where: Y = Financial Performance (Net Profit Margin/Current Ratio); X1 = Accounts Receivable Period (ACRVP); X2 = Receivable Turnover (REVTUR); X3 = Cash Conversion Cycle (CCC); X4 = Assets/Size; X5 = Debt to Total Asset Ratio/Leverage (DEBTOA); a = Constant Term; b1, b2, b3, b4, b5 = Regression Coefficients of Independent Variables; μ = Error Term.

5.3. Measurements of Variables

Net Profit Margin (NPM) = (Net Profit / Total Revenue) x 100

Current Ratio = Current Assets / Current Liabilities

Accounts Receivable Collection Period (ACRVCP) = (Accounts Receivable / Total Revenue) x 365

Accounts Receivable Turnover (REVTUR) = Total Turnover / Accounts Receivable

Assets Size = Log of Total Assets

Debt-to-Asset Ratio (DEBTOA) = Total Debt / Total Assets

6. Analysis And Results

6.1. Descriptive Statistics

Table 1 presents descriptive statistics for seven financial metrics across a dataset of 228 observations. The average net profit margin is approximately 0.099995, with a median of 0.089810, maximum of 1.350903, minimum of -0.748701, and a standard deviation of approximately 0.165109. The average current ratio is approximately 1.214008, with median of 1.066371, maximum of 3.606193, minimum of 0.073989, and standard deviation of 0.595144. The average collection period of receivables (ACRVP) is approximately 55 days, with a maximum of 313.68 days, minimum of 1.23 days, and standard deviation of approximately 52 days. The average revenue turnover (REVTUR) is approximately 16 times, with maximum of 296 times. The average CCC is approximately -41 days, with highest of 304 days and standard deviation of approximately 229 days. The average logarithm of assets is approximately 7.726387, and the average liabilities-to-assets ratio is approximately 0.553451.

Table 1. Descriptive Statistics

	NPM	CURR	ACRVP	REVTUR	CCC	LOG_ASSETS	DEBTOA
Mean	0.099995	1.214008	54.94805	16.37130	-41.39722	7.726387	0.553451
Median	0.089810	1.066371	41.18475	8.658423	-20.56204	7.818757	0.555201
Maximum	1.350903	3.606193	313.6846	296.5516	304.2839	9.305878	1.504471
Minimum	-0.748701	0.073989	1.230814	1.163589	-1932.679	6.270898	0.041003
Std. Dev.	0.165109	0.595144	52.06782	28.06241	229.5751	0.758144	0.193601
Skewness	0.951048	0.919599	2.418061	6.271275	-5.509924	-0.133662	1.392511
Kurtosis	21.98553	4.002506	10.26344	53.02829	39.91170	2.111657	8.916663
Observations	228	228	228	228	228	228	228

Source: Authors' Compilation from EViews 9 Output

6.2. Correlation Analysis

Table 2 displays the correlation matrix, which provides information on the relationships between pairs of variables in the dataset. NPM shows a strong negative correlation with DEBTOA (-0.5), indicating that as the net profit margin increases, the liabilities-to-assets ratio tends to decrease. CURR shows a moderate positive correlation with ACRVP (0.45) and CCC (0.43), indicating that as the current ratio increases, both the average collection period of receivables and cash conversion cycle also tend to increase. CURR also shows a strong negative correlation with DEBTOA (-0.55). ACRVP shows a weak negative correlation with REVTUR (-0.37), suggesting a slight tendency for the average collection period to decrease as revenue turnover increases. CCC shows a strong negative correlation with

DEBTOA (-0.57), indicating that as the cash conversion cycle increases, the liabilities-to-assets ratio tends to decrease.

Table 2. Correlation Matrix

	NPM	CURR	ACRVP	REVTUR	CCC	LOG_ASSETS	DEBTOA
NPM	1	0.23	-0.04	0.09	0.38	0.15	-0.5
CURR	0.232	1	0.45	-0.12	0.42	-0.31	-0.55
ACRVP	-0.04	0.45	1	-0.37	0.05	-0.10	-0.11
REVTUR	0.09	-0.12	-0.37	1	0.01	0.04	-0.1
CCC	0.38	0.43	0.05	0.01	1	0.08	-0.57
LOG_ASSETS	0.15	-0.31	-0.10	0.04	0.08	1	-0.01
DEBTOA	-0.5	-0.55	-0.11	-0.1	-0.57	-0.01	1

Source: Authors' Compilation from EViews 9 Output

6.3. Multicollinearity Test

The Variance Inflation Factor (VIF) test was conducted to detect multicollinearity among the independent variables. A VIF value less than 10 indicates no problem of multicollinearity. All centered VIF values for the independent variables are below 2.0, confirming the absence of multicollinearity: ACRVP (1.199), REVTUR (1.190), CCC (1.493), LOG_ASSETS (1.018), and LIABTOA (1.532). The model is therefore free from multicollinearity issues.

6.4. Panel Data Regression Analysis

6.4.1. Model I: Net Profit Margin (NPM) as Dependent Variable

The Hausman test was conducted to determine whether to use a random effects or fixed effects model. The Chi-Square statistic's p-value exceeds 0.05, providing insufficient evidence to reject the null hypothesis; therefore, the random effects model was chosen for statistical analysis.

Table 3 presents the output of the panel data random effects regression model. ACRVP has a negative effect of -3.63E-05 on NPM, which is not statistically significant (p = 0.8955), indicating no strong evidence of a significant effect of ACRVP on NPM. REVTUR has a positive effect of 0.000350 on NPM, but is not statistically significant (p = 0.2773). CCC has a positive but insignificant effect of 1.40E-05 on NPM (p = 0.8053). Assets (Size) has a positive but marginally insignificant effect of 0.031320 (p = 0.0983). DEBTOA has a highly significant negative effect of -0.460691 on NPM (p < 0.0001), meaning a one-unit increase in DEBTOA is associated with a decrease in NPM by approximately 0.461 units. The R-squared of 0.351682 indicates that 35.17% of variance in NPM is explained by the independent variables, and the overall model is significant (F-statistic p < 0.0001). The Durbin-Watson statistic of 1.804 indicates no significant autocorrelation.

Table 3. Panel Data Regression Analysis — NPM as Dependent Variable (Random Effects)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ACRVP	-3.63E-05	0.000276	-0.131556	0.8955
REVTUR	0.000350	0.000322	1.089116	0.2773
CCC	1.40E-05	5.66E-05	0.246764	0.8053
LOG_ASSETS	0.031320	0.018868	1.659925	0.0983
DEBTOA	-0.460691	0.063628	-7.240412	0.0000
C	0.109812	0.156547	0.701461	0.4838
R-squared: 0.351682	Adj. R-squared: 0.337080	F-stat: 24.08487	Prob(F): 0.000000	DW: 1.803774

Source: Authors' Compilation from EViews 9 Output

6.4.2. Model II: Current Ratio (CURR) as Dependent Variable

The Hausman test for the CURR model returned a Chi-Square statistic p-value below 0.05, providing evidence to reject the null hypothesis; therefore, the fixed effects model was chosen for statistical analysis.

Table 6.4 presents the output of the panel data fixed effects regression model. ACRVP has a positive and statistically significant effect of 0.001835 on CURR (p = 0.0500), indicating evidence that

ACRVP significantly influences CURR. REVTUR has a positive but insignificant effect on CURR (p = 0.2584). CCC has a significant negative effect of -0.000518 on CURR (p = 0.0040). Assets (Size) has a significant negative effect of -0.254720 on CURR (p = 0.0001). DEBTOA has a highly significant negative effect of -1.920880 on CURR (p < 0.0001), meaning a one-unit increase in DEBTOA is associated with a decrease in CURR by approximately 1.921 units. The R-squared of 0.727163 indicates that 72.72% of variance in CURR is explained by the model, and the overall model is significant (F-statistic p < 0.0001). The Durbin-Watson statistic of 0.982141 is close to 1, suggesting some positive autocorrelation, which is not uncommon in fixed effects panel models.

Table 4. Panel Data Regression Analysis — CURR as Dependent Variable (Fixed Effects)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.105169	0.536840	7.646907	0.0000
ACRVP	0.001835	0.000930	1.971962	0.0500
REVTUR	0.001084	0.000956	1.133283	0.2584
CCC	-0.000518	0.000178	-2.913627	0.0040
LOG_ASSETS	-0.254720	0.065608	-3.882468	0.0001
DEBTOA	-1.920880	0.196967	-9.752312	0.0000
R-squared: 0.727163	Adj. R-squared: 0.696402	F-stat: 23.63910	Prob(F): 0.000000	DW: 0.982141

Source: Authors' Compilation from EViews 9 Output

6.5. Discussion of Findings

The study found a negative but insignificant effect of the accounts receivable period (ACRVP) on net profit margin (NPM), which aligns with the findings of Anastasia, Michael and Innocent (2014) in the Nigerian food and beverage industry. However, this contradicts the results of Dan (2020), who found a significant positive impact of the accounts receivable period on the return on assets of consumer products companies in Nigeria.

Accounts receivable period had a positive and significant effect on CURR, while accounts receivable turnover (REVTUR) had a positive but insignificant effect on both NPM and current ratio (CURR). This is contrary to the findings of Jonah et al. (2022), who reported a positive correlation between REVTUR, NPM and return on assets.

The cash conversion cycle (CCC) had a positive but insignificant effect on NPM, while it had a significant negative effect on CURR. These findings partially align with Pandey's (2018) assertion that a prolonged collection process leads to weakened liquidity. Asset size had a positive but insignificant effect on NPM and a significant negative effect on CURR, which could be attributed to the complexities of larger organizations, as suggested by Brealey et al. (2017). The debt-to-asset ratio (DEBTOA) had a significant negative effect on both NPM and CURR, which aligns with the findings of Tarurhor and Owolabi (2022), who reported a significant impact of accounts receivable management on return on assets.

7. Conclusions

The study concludes that accounts receivable management practices have a significant impact on the liquidity position of listed manufacturing firms in Nigeria, as evidenced by the significant effect of the accounts receivable period and cash conversion cycle on the current ratio. However, the impact on profitability measures, such as net profit margin, is not significant. On the contrary, the debt-to-asset ratio had a significant negative effect on profitability. These findings highlight the importance of efficient accounts receivable management in maintaining a healthy liquidity position while also suggesting that other factors may play a more significant role in determining profitability.

Based on the findings of this study, the following recommendations are proposed. First, manufacturing firms should implement robust credit policies and procedures to streamline the credit approval process, ensure timely collections, and minimize the risk of bad debts, which can help improve the accounts receivable period and cash conversion cycle, enhancing liquidity. Second, firms should balance offering credit terms to boost sales and ensuring prompt collections to maintain a healthy cash flow, with regular monitoring and follow-up on overdue invoices to minimize delays in receivable collection.

The study also makes the following contributions to knowledge: it provides empirical evidence on the significant impact of accounts receivable management practices on the liquidity position of listed manufacturing firms in Nigeria; it fills a gap in previous research by including liquidity ratios in addition to profitability ratios as measures of financial performance; it spans a recent period from 2011 to 2022, capturing the effects of trade policy reforms in Nigeria; and its findings can inform policymakers, managers, investors, and other stakeholders in the Nigerian manufacturing sector.

8. Future Works

The findings of this study open several avenues for future research:

a) Future studies could conduct a comparative analysis to examine the impact of accounts receivable management practices across different sectors or industries, as the dynamics and challenges may vary significantly across sectors.

b) Further research should investigate the role of technology and digitalization in enhancing accounts receivable management practices and their subsequent impact on financial performance, given the rapid adoption of fintech solutions in Nigeria.

c) Future studies could explore the moderating or mediating effects of factors such as firm size, industry competition, or macroeconomic conditions on the relationship between accounts receivable management and financial performance.

d) A qualitative study could be conducted to gain deeper insights into the challenges faced by Nigerian manufacturing firms in implementing effective accounts receivable management strategies and the best practices adopted by successful firms.

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