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WORKING CAPITAL MANAGEMENT AND CORPORATE PERFORMANCE IN QUOTED MANUFACTURIING FIRMS IN NIGERIA

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Abstract

This study examined working capital management and corporate performance in quoted manufacturing firms in Nigeria. The study consist of five (5) out of twenty four (24) companies listed on the Nigerian Stock Exchange (NSE) in the manufacturing sector of the economy (Guinness Pic, Dangote Pic, Nestle Pic, Cadbury Pic and Unilever Pic).Random sampling technique was employed in determining the sample size, furthermore the research design adopted secondary data which involves comparative analysis of the variables which are working capital management and corporate performance and were represented with proxies such as return on asset, return on equity, and net profit margin, The research instrument was processed manually through coding and run electronically using Statistical Package for Social Sciences (SPSS) to analyse the information from the financial statement. Result from the study indicated that Firm's size and current ratio has positive and significant effect on corporate performance. Also managers should create value for their shareholders by reducing the number of day's account receivable and increasing the accounts payment period and inventories to a reasonable maximum. Base on this, the study advised that manufacturing firms should improve their stock management in order to tie up cash inventories., secondly, manufacturing firms should source for long term funds to replace short term borrowings and build up cash reserves., and lastly, manufacturing firms should embrace a dividend policy that retains profits within the company.

Keywords: working capital, management, corporate performance, manufacturing firms.

Background to the Study

Working capital management of a firm has been recognized as an important area in financial management. The main goal of working capital management is to teach and keep an optimized balance between each component of working capital (Garcia, 2024). Traditional

concept of working capital is the difference between current assets and current liabilities, which does not provide an accurate concept of corporate liquidity.

Every organization whether profit oriented or not and irrespective of size and nature of the business requires necessary amount of working capital. Working capital is the most crucial factor for maintaining liquidity, survival, solvency and profitability of business (Mukhopadhyay, 2023). All individual components of working capital include cash, marketable securities, account receivables and inventory management play a vital role in the performance of any firm.

In the management of working capital, the firm is faced with two key questions. First, given the level of sales and the relevant cost considerations, what are the optimal amounts of cash assets, account receivable, and inventories that a firm should choose to maintain? Second, given these optimal amounts, what is the most economical way to finance these working capital investments? To produce the best possible returns, firms should keep no unproductive assets and should finance with the cheapest available sources of funds.

Corporate performance is a composite assessment of how well an organization executes its most important parameters, typically financial, market and shareholder performance. It is a subset of business analytics /business intelligence that is concerned with the health of the organization, which is traditionally measured in terms of financial performance. However, in recent years, the concept of corporate health has become broader.

Liquidity and profitability are two important and major aspects of corporate business life (Raheman, 2023). The problem is that increasing profits at the cost of liquidity can bring serious problems to the firm. Therefore, there must be a trade-off between the liquidity and profitability of firms. One of these should not be at the cost of the other because both have their own importance. If firms do not care about profit, they cannot survive for a longer period. Also, if firms do not care about liquidity, they may face the problem of insolvency or bankruptcy. For these reasons, managers of firms should give utmost consideration for working capital management as it does ultimately affect the profitability of firms. As a result, companies can achieve maximum profitability and can maintain adequate liquidity with the help of efficient and effective management of working capital.

In addition, the effective working capital management is very important because it affects the performance and liquidity of the firms (Tahir, 2020). The main objective of working capital management is to reach optimal balance between working capital management components (Gill, 2023).

Statement of the Research Problem

An ideal business requires sufficient resources to keep it going and ensures that such resources are maximally utilized to enhance its profitability and overall performance. Working capital and its effect on firms' Performance has been studied by different researchers (Padachi, (2022).

Existing researchers among whom are; Filbeck and Krueger (2020), Nyamwanga, Ojera, Lumumba, Odondo, Otieno (2023) to mention a few, have stated that most successful organisation do not have problem with management of working capital components, but this is actually misleading, because this research work has identified a gap in this findings, by establishing that successful organisation still have problems with management of working capital components which is in agreement with the study of Rahman (2023).

Most of these and other researchers identify significant association between working capital and corporate performance. It has however been discovered that some methods that managers use in practice to make working capital decisions do not rely on the principles of finance, rather vague rules of thumb or poorly constructed models are used (Falope, 2024). This, however, makes the managers not to effectively manage the various mix of working capital component which is available to them, and as such, the organization may either be overcapitalized or undercapitalized or worst still, liquidate.

Berryman, (2023) finds out that a large number of business failures in the past have been blamed on the inability of the financial manager to plan and control the working capital of their respective firms. These reported inadequacies among financial managers is still practiced today in many organizations in the form of high bad debts, high inventory cost etc, which in turn adversely affect their operating performance.

Hence, lack of proper research study and utilization of the working capital for the improvement of corporation in terms of performance in Nigeria has constituted the problem of limited awareness in relation to working capital to increase firms' performances. Hence, there is the need to study the effect of working capital to enhance the performance of corporations in Nigeria.

Objectives of the Study

The main objective is to examine the impact of working capital management on the corporate performance of quoted manufacturing firms in Nigeria.

The specific objectives include:

i. To determine the impact of average collection period on corporate performance of quoted manufacturing firms in Nigeria.
ii. To examine the impact of inventory conversion period of corporate performance of quoted manufacturing firms in Nigeria.
iii. To analyse the impact of average payment period on corporate performance of quoted manufacturing firms in Nigeria.
iv. To investigate the impact of cash conversion cycle on corporate performance of quoted manufacturing firms in Nigeria.

Research Questions

In order to address the major issues underlying the research, an attempt has been made to provide answers to the following questions:

i. What is the impact of average collection period on corporate performance of quoted manufacturing firms in Nigeria?

ii. What is the inventory conversion period on corporate performance of quoted manufacturing firms in Nigeria?
iii. What is the impact of average payment period on corporate performance of quoted manufacturing firms in Nigeria?
iv. What is the impact of cash conversion cycle on corporate performance of quoted manufacturing firms in Nigeria?

Research Hypothesis

The following research propositions will be formulated for the study:

H_{01}: Average collection period has no significant impact on corporate performance of quoted manufacturing firms in Nigeria.

H_{02}: Inventory conversion period has no significant impact on corporate performance of quoted manufacturing firms in Nigeria.

H_{03}: Average payment period has no significant impact on corporate performance of quoted manufacturing firms in Nigeria.

H_{04}: Cash conversion cycle has no significant impact on corporate performance of quoted manufacturing firms in Nigeria.

Significance of the Study

The study will be beneficial in the following ways:

1. To provide reliable information on the importance of applying Working Capital Management techniques in the running of an organization.
2. To enlighten people occupying management positions in an enterprise in the Manufacturing industry on the variety of appraisal techniques of corporate performance.

Finally, the study will add to the existing literature on Working Capital Management.

Conceptual Review

Working Capital

Many authors have different perceptions about the concept "Working Capital". Falope and Akinlo, (2023) regard working capital as the firm's investment in short term assets. Appuhami, (2020), working capital is viewed as the items that are required for the day to day production of goods to be sold by a company.

An understanding of the concept of working capital cycle will give appreciation for the study of relationship between capital and firm's performance. Weston (1998) described working capital or cash operating cycle as the total length of time required to complete the following sequence of events:

Conversion of cash into raw materials
Conversion of raw materials into work in progress
Conversion of work in progress into finished goods
Conversion of finished goods into debtors through sales and
Conversion of debtors into cash.

Working Capital Management

Working capital management is the functional area of finance that covers all the current accounts of the firm. It is concerned with the management of the levels of the individual components of the working capital (Lazaridis, 2024). The basic objective of working capital management is to manage firms' current assets and current liabilities in such a way that working capital is maintained at a satisfactory level (Dong & Su, 2020).

Therefore, in this study, working capital management can be referred to as actions taken by managers in maintaining a balance between liquidity and profitability while conducting the day-to-day operations of a business concern.

Measures of Profitability

According to Eljelly (2004), profitability is the ability to create an excess of revenue over expenses in order to attract and hold investment capital.

Four useful measures of firm's profitability are the rate of return on firm's assets (ROA), the rate of return on firm's equity (ROE), operating profit margin and net firm income. The ROA measures the return to all firm's assets and is often used as an overall index of profitability, and the higher the value, the more profitable the firm. ROA is an indicator of managerial efficiency and also shows how the firm's management converted the institution's assets under its control into earnings (Falope & Ajilore, 2009).

The ROE measures the rate of return on the owners equity employed in the firm (Pandey, 2005). ROE indicates how well the firm has used the resources of owners.

The operating profit margin measures the returns to capital per naira of gross firm revenue. It focuses on the per unit produced component or earned profit and the asset turnover ratio. The net income comes directly on the income statement and it is calculated by matching firm revenue with expenses incurred to create revenue, plus the gain or loss on the sale of firm capital assets (Gitman, 2006).

Theoretical Framework

The Operating Cycle Theory

This theory looks explicitly at one side of working capital (that of current asset accounts) and therefore gives income statement measures of firm's operating activities, that is, about production, distribution and collection (Falope & Ajilore, 2024). Receivables, for instance, are directly affected by the credit collection policy of the firm and the frequency of converting these receivables into cash matters in the working capital management. By granting the customers more liberal credit policy, the profitability will be increased but at the same time liquidly will be scarified (Shin, 2024). The same analysis goes for other components of current assets account. However, the operating cycle theory tends o be deceptive in that it suggests that current liabilities are not important in the course of firm's operation (Falopre & Ajilore 2024) Our understanding of accounts payable as the source of financing the firm's activities

can be assailed as a result. The operating cycle theory therefore has a shortcoming of not including current liabilities in its analysis.

Empirical Studies

Hayajneh and Yassine (2023),investigated the relationship between working capital management efficiency and the profitability of 53 Jordanian manufacturing firms listed on Amman Stock Exchange. The data for the study was analyzed using simple regression analysis. The study revealed that profitability had a significant negative relationship with number of days inventory and number of days accounts payable while number of days accounts receivable had a significant positive relationship with profitability.

Nazir (2022), investigated the traditional relationship between working capital management policies and a firm's profitability for a sample of 204 non-financial firms listed on Karachi Stock Exchange (KSE). Study found significant differences among their working capital requirements and financing policies across different industries. Moreover, regression result found a negative relationship between the profitability of firms and degree of aggressiveness of working capital investment and financing policies. They suggested that managers could create value if they adopt a conservative approach towards working capital investment and working capital financing policies.

In Nigeria, Falope & Ajilore (2024), investigated the effect of working capital management on profitability performance for a panel made up of a sample of 55 Nigerian quoted non-financial firms. They found a negative relationship between net operating profitability and the average collection period, inventory turnover in days, average payment period and cash conversion cycle. They concluded that managers can create value for their shareholders if they can manage their working capital in more efficient ways by reducing the number of days account receivable and inventories to a reasonable minimum.

Akinlo (2024), investigated the effect of working capital on profitability of 66 firms in Nigeria. Using the dynamic panel general method of moments in analyzing the data, the study revealed that sales growth cash conversion cycle, number of days accounts receivable and number of days inventory period had positive relationship with profitability while leverage and number of days accounts payable had negative relationship with profitability.

Research Gap

Lack of empirical studies on the impact of WCM on the profitability of firms in specific industry in Nigeria that the present study examine the impact of WCM on the profitability of Nigerian manufacturing companies in order to identify those measures of WCM that have significant impact on the profitability of manufacturing companies in Nigeria and thereby narrowing the existing gap in the literature on the study.

Research Design

The study adopted expost facto research design.

Area of the Study

The area of the study is the listed manufacturing companies quoted on Nigerian Stock Exchange.

Population of Study

The population of this study is made up of all the 5 quoted manufacturing companies listed on Nigerian Stock exchange as at 2017 - 2024 business list**. It is represented on table 3.4.1 as thus:**

Table 3.4.1: Listed Breweries on Nigerian Stock Exchange.

S/N	Listed breweries	Sector
1.	Dangote Plc,	Consumer Goods
2.	Guinness Plc	Consumer Goods
3.	Nestle Plc,	Consumer Goods
4.	Cadbury Plc	Consumer Goods
5.	Unilever Plc	Consumer Goods

Source: Nigerian Stock Exchange Report (2024)

Sample and Sampling Techniques

Since the researcher used only secondary source of data, the researcher employed purposive sampling technique to choose 3 listed companies as a sample size which includes,(Guinness Plc, Dangote Plc, Nestle Plc, Cadbury Plc and Unilever Plc).

Source of Data

Secondary sources of data were used and were obtained from the published literatures such as textbooks, journals, internet publication and Audited Annual Reports and Accounts of the 3 selected companies quoted on Nigerian Stock Exchange.

3.7 Method of Data Analysis

Data generated were collected and analyzed using Multiple Regression operated with SPSS version 20.

Model Specification

We adopt (with modification) the framework used by Deloof (2023), Padachi (2022), Dong and Su (2020) and Raheman et al (2024) in our study.

Specifically, the models used for the regression analysis are expressed in the following form:

Model 1 $ROA = {}_0 + {}_1AC_{it} + {}_2CATA_{it} + {}_3CLTA_{it} + {}_4CR_{it} + {}_5DR_{it} + {}_6SZ_{it} + e_{it}$ (3.1)

Model 2 $ROA = {}_0 + {}_1IT_{it} + {}_2CATA_{it} + {}_3CLTA_{it} + {}_4CR_{it} + {}_5DR_{it} + {}_6SZ_{it} + e_{it}$ (3.2)

Model 3 $ROA = {}_0 + {}_1AP_{it} + {}_2CATA_{it} + {}_3CLTA_{it} + {}_4CR_{it} + {}_5DR_{it} + {}_6SZ_{it} + e_{it}$ (3.3)

Model 4 $ROA = {}_0 + {}_1CCC_{it} + {}_2CATA_{it} + {}_3CLTA_{it} + {}_4CR_{it} + {}_5DR_{it} + {}_6SZ_{it} + e_{it}$ (3.4)

Model 5 $ROA = {}_0 + {}_1CCC_{it} + {}_2CATA_{it} + {}_3CLTA_{it} + {}_4CR_{it} + {}_5DR_{it} + {}_6SZ_{it} + {}_7IND_{it} + e_{it.}$ (3.5)

We represent each of the constituent variables of the CCC (that is, AC, IT and AP) as explanatory variables in Models 1, 2 and 3. However, the CCC is used as the explanatory variable in Model 4, while we add the industrial effect to Model 4 to form Model

Presentation of Data

Table 2 presents the descriptive statistics of the variables used in the study. From the Table 2 the mean ROA is about 5.7%. This implies that for every N100 total asset of the firm, N5.70 is accounted by the profit before tax. The standard deviation of ROA is about 77%. It shows that the profit can deviate from either side by 77%. The average cash conversion cycle for the sample firm is 122 days. The average collection period is 48 days. It also takes the sample firm on the average 57 days to pay up their outstanding bills with maximum days of 395.

	Mean	Minimum	Maximum	Standard deviation	Skewness	Kurtosis
ROA	0.057	-0.192	0.331	0.769	0.015	1.040
CCC	122.380	-250.220	603.530	128.485	1.080	2.177
AC	48.100	0.830	410.670	50.585	3.205	15.383
IT	133.079	16.710	603.110	105.045	1.856	4.026
AP	57.355	1.060	394.600	65.717	2.601	7.615
DR	0.284	0.000	0.911	0.252	0.497	-0.922
SIZE	9.734	0.133	11.189	1.014	-4.047	37.154
CR	1.368	0.265	4.455	0.638	1.186	2.393
CATA	0.609	0.067	0.994	0.212	-0.381	-0.526
CLTA	0.490	0.058	0.930	0.190	0.331	-0.745

Table 2: *Descriptive statistics*

Source*: Researchers' computation*

It takes about 133 days for the sample firm to sell their inventories. Debt ratio is used as a controlled variable in this study. On the average, the debt ratio of the firms is about 28.4%. This shows that most of the firms used in the study make use of small debt capital in their capital structure. We also have in the sample, firms of different capital structure component. The minimum debt ratio is 0% (no debt financing) and the maximum value is 91.1% (high levered firm). The average current ratio is 1.368 (which is below the acceptable ratio of 2:1). This indicates poor liquidity management by the majority of the firms.

Table 3 presents the correlation matrix. From the Table 3, we observe a negative correlation between ROA and the cash conversion cycle at 10% level of significance. It implies that the higher the firm's cash conversion cycle, the lower will be the profitability. We also find a negative association between ROA and average collection period at 1% level. This indicates that if a firm has a bad collection of receivables policy (increase in AC), it will affect the firm's profitability negatively.

	ROA	**CCC**	**AC**	**IT**	**AP**	**DR**	**SIZ**	**CR**	**CATA**	**CLTA**
ROA	1									
CCC	-0.120* (0.084)	1								
AC	-0.195*** (0.005)	0.426*** (0.000)	1							
IT	-0.209** (0.016)	0.778*** (0.000)	0.116* (0.093)	1						
AP	0.163** (0.010)	-0.313*** (0.000)	0.124* (0.074)	0.178** (0.010)	1					
DR	-0.429*** (0.000)	-0.113 (0.130)	0.049 (0.518)	-0.195*** (0.009)	-0.122 (0.105)	1				
SIZ	0.166** (0.016)	-0.306*** (0.000)	-0.115* (0.096)	-0.290*** (0.000)	0.027 (0.698)	0.138* (0.065)	1			
CR	0.263*** (0.000)	0.494*** (0.000)	0.067 (0.334)	0.492*** (0.000)	-0.095 (0.169)	-0.424*** (0.000)	-0.236*** (0.001)	1		
CATA	0.182*** (0.009)	0.279*** (0.000)	0.251*** (0.000)	0.123* (0.077)	-0.114 (0.101)	0.008 (0.920)	-0.164** (0.018)	0.457*** (0.000)	1	
CLTA	-0.177** (0.010)	-0.135* (0.051)	0.245*** (0.000)	-0.316*** (0.000)	-0.043 (0.533)	0.467*** (0.000)	0.069 (0.319)	-0.477*** (0.000)	0.425*** (0.000)	1

Table*3: Pearson correlation matrix of the variables*
*The p- values are in the form ( ). *, **, *** indicate significant at 10%, 5% and 1% (2-tailed) respectively.*

Source*: Authors' computation*

In Table 3, we do observe a negative association between inventory turnover (IT) and ROA. This explains the reason why a firm should endeavour to sell its inventory as soon as possible. A firm which fails to sell its inventory will have its capital tied up and this will subsequently impair its profitability. Average payment period (AP) is found to be positively associated with ROA at 5% level. It indicates that a firm which delays its payments to its suppliers of raw materials and other accounts payable will be better off as it will lead to increase in its profitability. For the controlled variables, the coefficients of debt ratio; firm size; current ratio; current to total asset ratio and current liability to total asset ratio are as predicted by financial theory.

It is pertinent to note that the result of the association between variables based on predictions of the correlation matrix alone is insufficient for inferences to be made. This is because correlation matrix will only indicate the direction of association between variables and not the strength of the relationship. This is the main reason why Simple Pooled Ordinary Least Squares is used to determine the strength of the relationship between ROA and the explanatory/ controlled variables used in the stuy.

Table 4 presents the regression result of model 1. In this model, ROA is the dependent variable, while Average Collection (AC) period is the independent variable. From the Table 4, we observe that there is a negative and significant relationship between ROA and AC. It implies that the higher the average collection period, the lower will be the profitability of the firm.

	ROA
AC	-3.180*** (0.002)
DR	-5.434*** (0.000)
SIZ	4.748*** (0.000)
CR	-1.926* (0.056)
CATA	4.185*** (0.000)
CLTA	-2.537** (0.012)
Adj R Square	0.337
F- Stat	16.067*** (0.000)
DW	1.116

Table 4: *Simple pooled OLS regression results of Model 1*
The p- values are in the form ( ).
, **, * indicate significant at 10%, 5% and 1% respectively*

From Table 4, the relationship between debt ratio, current ratio and current liability to total asset ratio on one hand and the ROA on the other is negative and significantly related. This negative sign is in line with theoretical prediction. In the same vein, the relationship between ROA and Size as well as current asset to total asset ratio, is positive and also in accordance with theoretical expectation. The alternate hypothesis 1 is hereby validated. Thus, there is a negative and significant relationship between average collection period and profitability.

Table 5 presents the regression result of model 2. In this model ROA is the dependent variable and Inventory Turnover (IT), the independent variable. Table 5 reveals a negative relationship between ROA and Inventory Turnover, but not significant.

	ROA
IT	-0.230 (0.819)
DR	-5.123*** (0.000)
SIZ	4.998*** (0.000)
CR	-1.916* (0.057)
CATA	4.034*** (0.000)
CLTA	-3.259*** (0.001)
Adj R Square	0.299
F- Stat	13.628*** (0.000)
DW	1.132

Table 5: Simple pooled OLS regression results of Model 2
The p- values are in the form ( ).
, **, * indicate significant at 10%, 5% and 1% respectively*

Table 6 presents the regression result of model 3. In this model ROA is the dependent variable and Average Payment (AP) period is the independent variable. In line with theoretical prediction, there is a strong positive and significant relationship between ROA and AP. It is significant at 1% level. This implies that if a firm can efficiently and effectively maximise its payment schedule, it will increase its profitability.

	ROA
AP	3.035*** (0.003)
DR	-4.926*** (0.000)
SIZ	4.355*** (0.000)
CR	-2.249** (0.026)
CATA	4.382*** (0.000)
CLTA	-3.363*** (0.001)
Adj R Square	0.330
F- Stat	15.518*** (0.000)
DW	1.252

Table 6: Simple pooled OLS regression results of Model 3
The p- values are in the form ( ).
, **, * indicate significant at 10%, 5% and 1% respectively*

Table 7 presents the regression result of model 4. Cash conversion cycle (CCC) is the independent variable in this case.

	ROA
CCC	-2.730*** (0.007)
DR	-4.976*** (0.000)
SIZ	4.256*** (0.000)
CR	-0.905 (0.367)
CATA	3.905*** (0.000)
CLTA	-2.848*** (0.005)
Adj R Square	0.323
F- Stat	15.173*** (0.000)
DW	1.146

Table 7: *Simple pooled OLS regression results of Model 4*
The p- values are in the form ( ).
, **, * indicate significant at 10%, 5% and 1% respectively*

The Table 7 reveals a strong negative and significant relationship between ROA and CCC. It is significant at 1% level. This implies that the higher the cash conversion cycle, the lower will be the profitability. Hence, finance managers should endeavour to reduce the CCC to the optimum level in order to increase the shareholders value. The negative relationship between these variables depict that the sample firms follow the theoretical prediction of aggressive working capital policy during the period of study.

As for the controlled variables, there is a negative relationship between debt ratio (at 1% level), current liability to total asset ratio (at 1% level) and ROA. Positive relationship exists between firm size (at 1% level), current asset to total asset ratio (at 1% level) and ROA.

The relationship between current ratio (liquidity proxy) and ROA is negative but not significant. Hypothesis 4 is hereby confirmed. Thus, there is a negative and significant relationship between working capital management (cash conversion cycle) and firm's profitability.

Table 8 presents the regression result of Model 5. We introduce 14 industrial dummies to represent each of the 14 sectors used in the study. The results in Tables 7 and 8 are similar except for the variable CLTA, which now becomes insignificantly related to ROA. Specifically, the finding in Table 8 shows that when a firm (in whatever sector) optimally manages its cash conversion cycle, its profitability will improve. 8 industrial sectors (1- Agric/ agro-allied; 4- Health care; 5- Textile; 7- Building materials; 8-Chemical & paints; 9- Conglomerates; 10- Construction and 13- Packaging) have a negative and significant relationship with profitability measure, ROA.

This implies that the industrial sector which a firm belongs does influence performance through its management of working capital. The F-statistics of this model is 12.019 and it is significant at 1%. It shows that the model is fit. Hypothesis 5 is hereby confirmed. Thus, industrial sector influences financial performance through efficient management of working capital.

	ROA
CCC	-2.641*** (0.009)
DR	-4.596*** (0.000)
SIZ	3.257*** (0.001)
CR	0.669 (0.504)
CATA	4.099*** (0.000)
CLTA	-1.587 (0.115)
Ind dummy 1	-4.489*** (0.000)
Ind dummy 2	-1.279 (0.203)
Ind dummy 3	1.639 (0.103)
Ind dummy 4	-2.182** (0.031)
Ind dummy 5	-6.467*** (0.000)
Ind dummy 6	-1.316 (0.190)
Ind dummy 7	-1.946* (0.053)
Ind dummy 8	-1.764* (0.080)
Ind dummy 9	-2.655*** (0.008)
Ind dummy 10	-3.396*** (0.001)
Ind dummy 11	-0.646 (0.519)
Ind dummy 12	Excluded
Ind dummy 13	-2.449** (0.015)
Ind dummy 14	-1.493 (0.137)
Adj R- square	0.540
F- Stat	12.019*** (0.000)
DW	1.582

Table 8: Simple pooled OLS regression results of Model 5 (with industrial effects)
*The p- values are in the form ( ). *, **, *** indicate significant at 10%, 5% and 1% respectively.*

Summary of Major Findings

1. Firstly, our finding shows a negative and significant relationship between average collection period and profitability. To finance mangers, this is very important. It suggests that efforts should be directed to the optimum management of accounts receivables. A longer period for the collection of receivables will lead to adverse profitability of the firm. The organization should not also tighten its collection policy beyond the reach of marginal customers, who are in majority in most business environment ofdeveloping countries. If the policy is too harsh, the marginal customers will look elsewhere and the sales (and profit) of the firm may significantly be affected.
2. Secondly, a positive and significant relationship between average payment period and firm's profitability was noticed in this study. It implies that when the firm delays its payment to its creditors, it will affect the profitability of the firm positively. Caution has to be employed here because of the possibility of the suppliers (creditors) blacklisting the firm and the extension of credit line might be curtailed in the long run.
3. Thirdly, we observe a negative and significant relationship between working capital management (cash conversion cycle as a proxy) and profitability. Cash conversion cycle is the most appropriate working capital management proxy because all other components of working capital management, such as average collection period, average payment period and inventory turnover period are part of it. Finance managers should put in place means by which the cash conversion cycle is reduced. This is because the higher the cash conversion cycle, the lower the profitability. The strategy to be employed will be such that will collectively reduce the number of days in collecting receivables from customers, increase the period in making payment to suppliers and in the reduction in number of days of inventory.
4. Fourthly, we were unable to find a significant relationship between inventory turnover and firm's profitability.

Conclusion

This study empirically investigated the effect of working capital management on performance of quoted companies on NSE. The study is vital as it portrays the extent firms' profitability is significantly influenced by some certain factors which include Inventory Turnover Period, Average Payment Period, Average Collection Period and Current Ratio.

We therefore conclude that:

1. Corporate firms' Inventory Turnover Period has a significant impact on Corporate Performance.
2. Corporate firms' Average Payment Period has not significantly influenced Corporate Performance.
3. Corporate firms' Average Collection Period exerts significant effect and influence on Corporate Performance.
4. Corporate firms' Current Ratio has a significant impact on Corporate Performance.

Recommendations

On the basis of the findings of the study, it is recommended that;

i. Firms' should ensure a lower period which it takes in concerting its inventory into sales as the higher the period it takes firm to convert their inventory into sales lower the profitability of the firms.
ii. Firms' should also take note that the more it takes firms to pay their creditors the less profitability, this shows that either delay payments were left idle not invested for increased yields or profit or that delay payments have made defaults from credit purchases hence firms cannot meet up demands for supplies of goods ordered by customers due to shortage of stock of raw materials as such reducing sales turnover or volume and profits there-from.
iii. The study also established a significant relationship of debtors' collection period (ACP) with the level of corporate profitability among listed manufacturing companies in Nigeria. Hence, the study recommend that firms should be apt in collecting proceeds of credit sales from their debtors as good working capital management urges for quick cash collection from credit sales for quick reinvestment in short-term securities in order to boost profitability.
iv. Cash collected should also be re-invested into short-term investments to generate profits and funds left idle in the cash till or excessive liquidity is costly and do not lead to growth in yields or profitability.

Suggestions for Further Studies

From the empirical analysis of the study, it is suggested that further research be conducted on the same topic with different sector or industry, and also with extended year of the sample.

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