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IMPACT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY OF LISTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

This study examines the impact of working capital management on the profitability of listed consumer goods firms in Nigeria over a ten-year period (2014–2023). Specifically, the study evaluates the effects of Inventory Turnover Period (ITP), Receivable Collection Period (RCP), and Payables Payment Period (PPP) on profitability, as measured by Return on Assets (ROA). Using an ex-post facto research design and data from 18 purposively selected consumer goods firms listed on the Nigerian Exchange Group (NGX), the study employs panel regression techniques. Findings reveal that PPP has a statistically significant negative effect on ROA ($p < 0.05$). Conversely, ITP and RCP, while negatively related to ROA, showed no statistically significant impact. The study concludes that optimal working capital management particularly regarding payables is essential for maintaining financial health and competitive advantage in Nigeria's volatile economic environment. The study recommends that firms adopt proactive payables management strategies, maintain efficient inventory levels, and implement robust credit control systems. Policymakers and regulators are also encouraged to create enabling financial environments and enforce transparent disclosure of working capital metrics to strengthen the sector's resilience.

Keywords: working capital management, profitability, listed consumer goods firms, Nigeria

1. Introduction

Scholars have widely conceptualized profitability as a measure of a firm's ability to efficiently utilize its resources to generate earnings. Adebayo and Adegbie (2018) define profitability as the firm's capacity to transform assets into net income, with Return on Assets (ROA) often adopted as a central measure. This definition emphasizes operational efficiency and resource utilization. Olokoyo (2019) adds that profitability captures a firm's financial health and its capacity to convert revenues into surplus after accounting for costs.

Empirical studies affirm the importance of working capital efficiency in sustaining profitability. For instance, Balogun and Adekunle (2019) found that firms that reduce inventory turnover and receivables collection periods tend to improve ROA by minimizing holding costs and accelerating cash flows. Mathuva (2019) corroborated this in the Kenyan manufacturing context, showing that optimized working capital significantly enhances firm profitability. These scholarly contributions frame profitability not just as an outcome but as a strategic performance indicator reflecting internal efficiency, market responsiveness, and financial discipline.

Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) view profitability as a critical benchmark for corporate accountability and market stability. For regulators, sustained profitability indicates strong governance, effective financial control, and reduced risk of financial distress or collapse, which is essential for investor protection and market confidence.

According to the Central Bank of Nigeria (CBN, 2023), the profitability of firms, especially in sectors sensitive to macroeconomic fluctuations, serves as a key indicator of sectoral resilience. Regulators emphasize transparency in financial reporting, requiring that firms disclose key performance indicators such as ROA, ROE, and earnings per share. These disclosures enable investors and stakeholders to assess the financial viability of listed firms. In light of recent profitability declines in Nigeria's FMCG sector, regulators have urged firms to strengthen internal controls and adopt strategic working capital policies that enhance liquidity and financial resilience (BusinessDay, 2024; Meristem Research, 2024).

Working capital management is a critical component of a firm's overall financial strategy, focusing on the efficient handling of current assets and liabilities to ensure sufficient liquidity and operational efficiency. Effective management involves balancing inventory, receivables, and payables to minimize costs and maximize cash flow, thereby reducing the cash conversion cycle and enhancing profitability.

In consumer goods firms, particularly in dynamic markets such as Nigeria, optimized working capital management ensures that resources are allocated efficiently, inventory is turned over quickly, and payments are strategically timed to maintain supplier relationships while preserving cash. By carefully monitoring these components, firms can avoid liquidity crises and capitalize on growth opportunities, ultimately contributing to sustained competitive advantage (Adebayo & Adegbie, 2018; Balogun & Adekunle, 2019).

The Inventory Turnover Period (ITP) represents the average number of days a firm takes to sell its entire inventory. A shorter ITP is generally associated with improved operational efficiency, as it indicates that inventory is being rapidly converted into sales, reducing holding costs and risks of obsolescence. For consumer goods firms, which deal with fast-moving products, maintaining an optimal inventory cycle is critical. Efficient inventory management allows firms to free up capital for other revenue-generating activities, thereby enhancing profitability measured by Return on Assets (ROA).

Studies by Adebayo and Adegbie (2018) and Olokoyo (2019) show that firms with lower ITPs tend to report higher ROA due to lower storage expenses and more agile production cycles. Conversely, an excessively high ITP may suggest overstocking or sluggish sales, both of which tie down capital and negatively affect profitability. Therefore, an inverse relationship is often expected between ITP and profitability.

The Receivable Collection Period (RCP) measures the average number of days it takes a firm to convert credit sales into cash. A shorter RCP indicates efficient credit management, ensuring that firms quickly recover funds needed for day-to-day operations and reinvestment. In the consumer goods sector, where sales volumes are high and operating cycles are short, delayed receivables can significantly constrain liquidity and increase reliance on external financing, ultimately reducing profitability.

Balogun and Adekunle (2019) and Okoro and Egbetunde (2020) found that firms with shorter RCPs exhibit better cash flow, lower bad debt exposure, and higher ROA. However, while offering longer credit periods may drive sales in the short term, it can also increase the risk of defaults and reduce financial efficiency. Thus, the link

between RCP and profitability is typically negative where longer collection periods are associated with lower ROA, underscoring the importance of strict credit policies and prompt collections.

The Payables Payment Period (PPP) indicates the average time a firm takes to settle its obligations to suppliers. A longer PPP can temporarily improve liquidity by allowing firms to hold onto cash longer, which could be used to fund operations or investments. However, in the long run, excessively delayed payments may harm supplier relationships, result in loss of discounts, and disrupt the supply chain. For consumer goods firms that rely on timely input supplies, strained supplier partnerships can lead to inventory shortages and lost sales.

The relationship between PPP and profitability is complex while some level of delay can support liquidity and thus profitability, extending PPP beyond optimal levels often backfires. Empirical evidence from Adekunle (2018) and Ekpoese et al. (2023) demonstrates that an excessively prolonged PPP negatively impacts ROA by increasing procurement costs and undermining supply chain stability. Therefore, firms must strategically manage PPP to balance liquidity benefits against operational risks and supplier confidence.

A strong motivation for this study stems from the urgent need to understand how efficient working capital management can serve as a strategic lever for enhancing profitability in Nigeria's consumer goods sector, especially amidst rising economic volatility. In recent years, the sector has faced significant headwinds, including chronic foreign exchange instability, double-digit inflation, high borrowing costs, and persistent supply chain disruptions—all of which have eroded profit margins and strained liquidity. The dramatic shift from a profit of ₦78.9 billion in 2022 to a cumulative after-tax loss of ₦284.24 billion in 2023 among major FMCG firms (BusinessDay, 2024) underscores the fragile financial position of many companies.

This has been compounded by ₦472.35 billion in FX-related losses (Meristem Research, 2024), which have disrupted cash flow cycles and amplified working capital inefficiencies. Despite the crucial role that inventory turnover, receivables, and payables management play in optimizing liquidity and sustaining returns on assets, limited empirical research has been conducted to assess how these factors influence profitability in the Nigerian context, especially after the COVID-19 pandemic and the 2023 devaluation crisis. This study is, therefore, motivated by the necessity to fill this gap by providing up-to-date, evidence-based insights into how effective working capital strategies can help consumer goods firms remain profitable and competitive amid macroeconomic uncertainty.

According to BusinessDay (2024), companies in the fast-moving consumer goods (FMCG) sector collectively posted an after-tax loss of ₦284.24 billion in 2023, a drastic reversal from the ₦78.9 billion profit recorded in 2022. This deterioration in financial performance. A case in point is PZ Cussons Nigeria, which reported a staggering 39.7% drop in pre-tax profits, equating to £44.7 million, following the naira's sharp depreciation (The Times, 2024). In response, the company was compelled to introduce nearly 30 price adjustments across its African markets within a 12-month period to preserve margins, further highlighting the operational challenges faced by firm's dependent on foreign inputs.

Similarly, Nestlé Nigeria and Unilever Nigeria have reported margin erosion due to increased cost of sales, prompting strategic cost-cutting and local sourcing initiatives (Nigerian Exchange, 2024). Empirical studies by Salawu and Alao (2014) and Ekpoese et al. (2023) reinforce these realities, revealing that firms operating under

weak working capital buffers tend to experience diminished returns on assets (ROA) and elevated liquidity risks.

In addition, consumer goods firms face significant operational challenges that undermine their profitability due to inefficiencies in working capital management. Many of these firms struggle with prolonged inventory turnover and delayed receivables collection, which extend the cash conversion cycle and lead to higher financing costs, ultimately depressing Return on Assets (ROA). Recent data from the Nigerian Bureau of Statistics (NBS, 2022) indicate that over 55% of consumer goods firms are grappling with liquidity constraints linked to suboptimal management of current assets and liabilities.

Empirical studies by Adebayo and Adegbie (2018) and Balogun and Adekunle (2019) further reveal that inefficient handling of inventory and receivables is strongly associated with lower profitability in this sector. Compounding these issues, macroeconomic challenges such as inflation rates hovering between 15% and 18% (CBN, 2023) significantly increase the cost of holding inventory and exacerbate cash flow problems. Additionally, supply chain disruptions and currency volatility further strain the financial stability of these firms. This complex interplay of factors highlights the urgent need for improved working capital strategies to enhance the competitiveness and long-term sustainability of consumer goods companies in Nigeria.

Despite a growing body of literature examining the relationship between working capital management and profitability in Nigerian consumer goods firms, several notable gaps persist, particularly concerning the study period. Earlier investigations by Adebayo and Adegbie (2018), Olokoyo (2019), and Balogun and Adekunle (2019) have provided valuable insights into how variables such as inventory turnover, receivables, and payables impact financial performance. However, these studies were largely confined to data collected before 2020, and thus do not capture the evolving economic landscape marked by significant events such as the COVID-19 pandemic, post-pandemic recovery dynamics, and recent inflationary pressures noted up to 2023.

As a result, the current literature lacks an updated analysis that reflects the contemporary challenges and market conditions affecting these firms. This study aims to extend the examination period to 2023, thereby offering a more comprehensive and current perspective on how working capital management influences profitability in the Nigerian consumer goods sector.

Despite these contributions, several gaps persist in the literature. There is a lack of consensus on which specific components of WCM most significantly influence profitability. While some studies such as Ekpoese et al. (2023) highlight the importance of accounts payable management, others emphasize inventory turnover or receivables collection periods. Many existing studies do not account for these macroeconomic variables, potentially limiting the applicability of their findings. Addressing these gaps could enhance the strategic financial management practices of consumer goods firms in Nigeria.

In line with examining the relationship between working capital management and profitability, the following research questions are raised:

i. How does inventory turnover period affect the profitability of listed consumer goods firms in Nigeria?
ii. In what way does receivable collection period affect the profitability of listed consumer goods firms in Nigeria?
iii. How does payables payment period affect the profitability of listed consumer goods firms in Nigeria?

The main objective of the study is to examine the effect of working capital management on profitability of listed consumer goods firms in Nigeria. Other specific objectives of the study include the following:

i. To examine the effect of inventory turnover period on profitability of listed consumer goods firms in Nigeria.
ii. To assess the effect of receivable collection period on profitability of listed consumer goods firms in Nigeria.
iii. To ascertain the effect of payables payment period on profitability of listed consumer goods firms in Nigeria.

Based on the objective of the study, the following hypotheses are stated in null form.

H_{01}: Inventory Turnover Period has no significant effect on profitability of listed consumer goods firms in Nigeria.

H_{02}: Receivable Collection Period has no significant effect on profitability of listed consumer goods firms in Nigeria.

H_{03}: Payables Payment Period has no significant effect on profitability of listed consumer goods firms in Nigeria.

This study examines the impact of working capital management on the profitability of listed consumer goods firms in Nigeria over a ten-year period, from 2014 to 2023. The study focuses on key working capital management variables, including Inventory Turnover Period (ITP), Receivable Collection Period (RCP), and Payables Payment Period (PPP), and their influence on profitability, measured by Return on Assets (ROA).

The selected timeframe captures financial trends across different economic conditions, including Nigeria's 2016 recession, the COVID-19 pandemic in 2020, and post-pandemic economic recovery, allowing for a more comprehensive analysis of how firms managed their working capital in response to economic shocks.

This study provides valuable insights for policymakers in shaping economic and financial policies that promote sustainable business growth and profitability in Nigeria's consumer goods sector. Policymakers can design incentives for firms that maintain optimal working capital cycles, such as tax benefits for early payments to suppliers or reduced borrowing costs for firms with efficient cash flow management.

Regulators, such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC), this study offers empirical evidence on the working capital management practices of listed consumer goods firms. The study is particularly beneficial to the management of consumer goods firms, as it provides actionable insights into optimizing working capital to enhance profitability.

2. Literature Review

Conceptualization

Concept of Profitability

Adebayo and Adegbie (2018) define profitability as the efficiency with which a firm utilizes its assets to generate earnings, typically measured by Return on Assets (ROA), which reflects the ratio of net income to total assets. Olokoyo (2019) conceptualizes profitability as the firm's ability to convert revenues into net income, emphasizing net profit margins to capture the proportion of revenue retained after expenses.

Meanwhile, Balogun and Adekunle (2019) offer a broader perspective, defining profitability as a firm's overall capacity to generate surplus earnings and create value

over time, often assessed using a mix of ratios such as ROA, Return on Equity (ROE), and profit margins. For the present study, the definition by Adebayo and Adegbie (2018) is adopted because ROA provides a comprehensive and direct measure of how effectively consumer goods firms in Nigeria are utilizing their assets to generate earnings, thereby capturing the critical impact of working capital management on profitability.

Concept of Working Capital Management

Adebayo and Adegbie (2018) define working capital management as the process of planning, monitoring, and controlling a firm's current assets and liabilities to ensure that sufficient liquidity is maintained for day-to-day operations while minimizing costs. This definition emphasizes the tactical balancing act required to optimize the cash conversion cycle, ensuring that resources such as inventory, receivables, and payables are managed efficiently.

In carefully aligning short-term assets with current obligations, firms can prevent cash shortages and reduce the financing costs associated with overcapitalization. The approach also underscores the importance of timing and coordination in cash flow management, which is vital for sustaining operational continuity and enhancing profitability.

Olokoyo (2019) conceptualizes working capital management as a strategic process that involves not only managing the firm's short-term assets and liabilities but also aligning them with broader financial and operational objectives. In this view, working capital management is seen as a critical factor in maintaining a firm's liquidity and mitigating financial risks, while simultaneously enhancing operational efficiency. However, ensuring that the inflows and outflows of cash are synchronized, firms can reduce idle funds and avoid unnecessary costs. This definition highlights the proactive role of financial managers in adjusting working capital components to respond to market fluctuations and maintain competitive advantage.

Balogun and Adekunle (2019) offer a comprehensive perspective by defining working capital management as the systematic oversight and optimization of a firm's current assets and liabilities to maximize both operational efficiency and profitability. Their definition integrates the dual objectives of sustaining liquidity and improving financial performance, arguing that efficient working capital practices directly influence a firm's ability to invest in growth opportunities and improve its Return on Assets (ROA). The emphasis on a balanced approach in managing inventory, receivables, and payables illustrates how strategic financial decisions can help firms navigate uncertainties and maintain market competitiveness.

For the present study, the definition by Adebayo and Adegbie (2018) is adopted. This definition, which frames working capital management as the process of planning, monitoring, and controlling current assets and liabilities to ensure adequate liquidity and cost efficiency, is particularly relevant for consumer goods firms in Nigeria. It provides a clear framework that captures both the operational and financial dimensions critical to sustaining profitability in a challenging economic environment, making it an ideal foundation for analyzing the impact of working capital management on firm performance.

Concept of Inventory Turnover Period

Adebayo and Adegbie (2018) define the Inventory Turnover Period as the average number of days a firm takes to sell its entire inventory, serving as a direct indicator of inventory management efficiency. This definition emphasizes that a shorter turnover period reflects the firm’s ability to quickly convert inventory into sales,

thereby reducing holding costs and the risks associated with obsolete stock. According to this view, efficient inventory management not only enhances liquidity but also contributes to improved profitability by freeing up resources for further investment in the firm's operations.

Similarly, Olokoyo (2019) conceptualizes the Inventory Turnover Period as a critical operational metric that measures the speed at which inventory moves through the production and sales cycle. This definition focuses on the dynamic interplay between production efficiency and market demand, suggesting that a lower turnover period signifies robust demand forecasting and a responsive supply chain. Reducing the time inventory remains idle, firms can minimize storage costs and optimize working capital, which in turn bolsters cash flow and supports overall financial performance.

In addition, Balogun and Adekunle (2019) define the Inventory Turnover Period as the duration over which a company's inventory is completely sold and replaced, highlighting its role in determining asset productivity and operational efficiency. Their definition underscores the importance of a streamlined inventory process, where a reduced turnover period indicates effective alignment of production with consumer demand. This approach not only minimizes the costs associated with maintaining excess inventory but also enhances a firm's competitive position by ensuring that capital is continuously reinvested into revenue-generating activities.

For the present study, the definition by Adebayo and Adegbie (2018) is adopted, as it provides a clear and measurable framework that links the efficiency of inventory conversion directly to liquidity and profitability, which is crucial for analyzing the performance of consumer goods firms in Nigeria.

Concept of Receivable Collection Period

Adebayo and Adegbie (2018) define the Receivable Collection Period as the average number of days a firm takes to convert its credit sales into cash. This metric serves as a critical indicator of the effectiveness of a firm's credit policies and cash collection procedures. A shorter collection period is generally viewed as a sign of efficient receivables management because it implies that funds are recovered quickly, thereby reducing the risk of bad debts and improving liquidity.

Their framework emphasizes that timely cash inflows are essential for sustaining day-to-day operations and reducing reliance on external financing, which can ultimately enhance profitability and operational efficiency. However, Olokoyo (2019) conceptualizes the Receivable Collection Period as the interval between the recording of a credit sale and the receipt of payment, reflecting how promptly a firm can turn its credit sales into usable cash.

According to this perspective, an efficiently managed collection period not only secures a steady cash flow but also minimizes the costs associated with delayed collections, such as increased borrowing costs and potential write-offs. This definition underscores the importance of robust credit management systems in maintaining financial stability, as well as in enhancing a firm's ability to reinvest in growth opportunities and respond swiftly to market demands.

Similarly, Okoro and Egbetunde (2020) define the Receivable Collection Period as a key performance indicator that measures the effectiveness of a firm's credit control and collection strategies. Their approach focuses on the impact of a shortened collection period on reducing working capital constraints and lowering liquidity risk. Accelerating the conversion of receivables to cash, firms can better manage their cash conversion cycle and ultimately improve their Return on Assets (ROA).

This definition highlights the strategic importance of efficient receivables management in not only optimizing cash flow but also in strengthening overall financial performance, making it a vital component of working capital management. For the present study, the definition by Adebayo and Adegbie (2018) is adopted because of its clear emphasis on the operational benefits of timely cash recovery. This definition provides a robust framework for analysing how efficient receivables management can directly contribute to improved liquidity and profitability among consumer goods firms in Nigeria.

Concept of Payable Payment Period

Adekunle (2018) defines the Payable Payment Period as the average number of days a firm takes to settle its obligations to suppliers after receiving goods or services. This definition emphasizes that an optimal payment period allows firms to maximize liquidity by delaying cash outflows without jeopardizing supplier relationships.

Adekunle (2018) argues that efficient management of this period is crucial for minimizing financing costs and ensuring sufficient working capital is maintained for daily operations. The measurement typically involves dividing accounts payable by the cost of goods sold and then multiplying by 365 days. This approach provides a direct indicator of how well a firm is managing its short-term liabilities in relation to its operating performance.

Similarly, Iyiola (2019) conceptualizes the Payable Payment Period as the interval between the acquisition of goods or services and the actual payment to suppliers. In this view, an efficiently managed payment period is pivotal for enhancing cash flow management and reducing reliance on external financing. This definition highlights that while extending the payable period can temporarily boost liquidity, an excessively prolonged period may harm supplier relationships and lead to supply chain disruptions.

Thus, the effective management of the Payable Payment Period requires a balance between optimizing cash retention and maintaining strong supplier networks, which is essential for sustaining overall operational efficiency and profitability. However, Balogun and Adekunle (2019) provide a comprehensive perspective by defining the Payable Payment Period as the systematic measure of the time lag between the incurrence of an obligation and its settlement.

Their definition integrates the dual objectives of leveraging delayed payments to enhance liquidity and the strategic management of supplier relations. They argue that a well-regulated payment period not only preserves cash for reinvestment but also ensures that supplier trust is maintained, which is vital for uninterrupted operations. This balanced approach is critical in sectors where the timing of payments directly impacts both the firm's cost structure and its competitive positioning.

For the present study, the definition by Adekunle (2018) is adopted, as it provides a clear, measurable framework that links the efficiency of managing short-term liabilities directly to liquidity and profitability. This definition is particularly relevant for analysing consumer goods firms in Nigeria, where maintaining an optimal balance between cash retention and supplier relationships is crucial for financial performance.

Empirical Review

Inventory Turnover Period and Profitability

Garba et al. (2020) investigated the effect of inventory turnover period on profitability among Nigerian conglomerate firms using panel data from 2007 to 2016. Their study found an inverse relationship between inventory turnover period and

profitability, measured by Return on Assets (ROA). The findings underscore the critical role of efficient inventory management in optimizing working capital and improving financial performance. They recommended that firms implement regular stock-taking and adopt strategies to maintain optimal inventory levels, thereby supporting sustainable profitability (Garba et al., 2020).

Olokoyo (2019) examined inventory management practices specifically within Nigerian consumer goods firms and highlighted the importance of minimizing the inventory turnover period for enhanced profitability. The study revealed that a shorter turnover period not only accelerates the cash conversion cycle but also reduces the costs associated with storing unsold inventory. Complementing these findings, Samson et al. (2012) observed that small and medium-sized firms with more efficient inventory conversion processes tend to achieve higher net profit margins. Both studies emphasize that timely turnover of inventory is vital for maintaining liquidity and for ensuring that resources are continuously reinvested into revenue-generating activities, thereby bolstering overall firm performance.

Extending the investigation beyond Nigeria, Mathuva (2019) conducted an empirical study on manufacturing firms in Kenya and reported a significant positive impact of rapid inventory turnover on profitability. According to Mathuva, a reduced inventory conversion period leads to lower holding costs and improved asset utilization, which in turn boosts returns on assets. Similarly, Rimo and Panbunyuen (2020) provided evidence from firms in developing economies that faster inventory turnover correlates with enhanced financial performance. Their results reinforce the view that managing inventory efficiently is crucial to preserving liquidity and achieving better profitability outcomes. These studies collectively suggest that lower inventory turnover periods are indicative of superior operational efficiency and are closely linked to improved firm profitability.

In contrast, some empirical studies have revealed a negative or insignificant relationship between inventory turnover period and profitability, highlighting the complexity of this linkage. For instance, Alipour (2021) found that excessively long inventory turnover periods are associated with reduced profitability, as higher holding costs and increased capital lock-up diminish a firm's financial performance. Pouraghajan et al. (2023) also reported a significant negative relationship between inventory turnover period and ROA among automotive companies, suggesting that inefficiencies in inventory management can erode returns. These contrasting findings indicate that while rapid inventory turnover generally supports profitability, its effect can vary depending on industry dynamics, market conditions, and specific firm practices. Such mixed evidence calls for a contextual understanding of inventory management strategies to effectively enhance profitability.

Receivable Collection Period and Profitability

Receivable Collection Period (RCP) represents the average time a firm takes to convert its credit sales into cash, serving as a critical indicator of credit management efficiency. Adebayo and Adegbie (2018) describe an efficient RCP as one that minimizes the lag between sales and cash inflows, thereby enhancing liquidity and reducing the reliance on external financing. Shortening the RCP, firms are better positioned to reinvest recovered funds into growth initiatives and daily operations. This efficient cash conversion process not only improves working capital management but also reduces the risk of bad debts, which can erode profitability. The importance of managing receivables effectively is underscored by the need to balance credit extension with timely collections in order to sustain financial health.

Empirical evidence from Nigerian studies supports the notion that a shorter receivable collection period positively impacts profitability. Balogun and Adekunle (2019) found that firms with prompt receivables collection exhibit enhanced cash flow, which in turn improves their Return on Assets (ROA). Their panel data analysis revealed that reducing the average collection period can lower financing costs and lead to higher profit margins. This relationship is attributed to the fact that faster cash recovery reduces the amount of capital tied up in receivables, allowing firms to allocate resources more effectively and minimize credit risk. The study emphasizes that strict credit policies and diligent follow-up on outstanding receivables are key strategies for optimizing financial performance.

In a similar vein, Okoro and Egbetunde (2020) examined the link between receivables management and firm profitability among consumer goods companies in Nigeria. Their findings indicate that reducing the RCP has a direct, positive effect on profitability by ensuring that cash is available sooner for operational needs and investment opportunities. The study also highlighted that extended collection periods are often associated with higher levels of non-performing receivables, which can lead to increased operating costs and lower net profits. By streamlining the receivables collection process, firms can enhance their liquidity position, reduce the risk of bad debts, and ultimately boost their overall financial performance.

Studies conducted in emerging markets have shown that effective receivables management is a vital component of successful working capital strategies, particularly in competitive industries where cash flow is crucial for sustaining operations (Olokoyo, 2019). Firms that implement robust credit control measures such as incentivizing early payments and employing systematic follow-up procedures tend to achieve shorter collection periods and improved profitability. This body of empirical literature suggests that optimizing the RCP not only reduces financing costs but also contributes to a more efficient allocation of resources, thereby driving higher profitability across diverse economic environments.

Payable Payment Period and Profitability

Empirical evidence from the Nigerian consumer goods sector suggests that a well-managed PPP can positively impact profitability. For example, Salawu and Alao (2014) found that when firms strategically extend their payment periods, they enjoy improved cash flow that can be reinvested into core operations, leading to higher returns on assets (ROA). This positive association indicates that firms capable of negotiating favorable credit terms can reduce financing costs and boost their overall profit margins. However, the relationship between PPP and profitability is not universally positive. Some studies report that if the PPP is extended excessively, it can strain supplier relationships and disrupt the supply chain, thereby offsetting potential liquidity gains.

Ekpoese et al. (2023) observed that while the short-term debt component associated with payables can significantly enhance profitability, an overly long PPP might lead to inefficiencies that negatively affect a firm’s performance. Such findings underscore that the benefits of a longer payment period depend on a firm’s ability to balance supplier credit terms with its own liquidity needs. In other words, the strategic management of PPP must be contextualized within each firm's operational and market environment.

Overall, recent empirical literature reveals a nuanced relationship between PPP and profitability in the consumer goods sector. While studies like Salawu and Alao (2014) demonstrate that extending payment periods can enhance profitability by easing cash flow constraints, others such as Ekpoese et al. (2023) indicate that the impact may be insignificant or even negative if supplier relationships are compromised. These

mixed findings suggest that firms must adopt a balanced approach optimizing PPP to achieve liquidity benefits while maintaining strong supplier partnerships.

Theoretical Framework

Financial Flexibility Theory was notably advanced by Stewart C. Myers in 1977, who emphasized the critical importance of a firm's ability to adapt its capital structure and liquidity in response to changing market conditions. Myers' pioneering work laid the foundation for understanding how firms can maintain a buffer against financial distress while positioning themselves to seize unexpected growth opportunities. Over the years, subsequent scholars, such as Panda (2018), have built upon Myers' insights, further elaborating on the concept of financial flexibility as a key determinant of corporate resilience and value creation.

At its core, Financial Flexibility Theory assumes that firms face significant costs and limitations when accessing external financing, making internal resources and liquidity management crucial for strategic decision-making. The theory posits that a firm with high financial flexibility can reallocate its capital swiftly, mitigate risks during economic downturns, and invest in high-return projects without being overly burdened by debt.

It further assumes that maintaining a balance between liquidity and profitability is essential; too much liquidity may indicate inefficiency, whereas too little may constrain growth and heighten risk exposure. These assumptions underscore the idea that optimal working capital management is not only about immediate cash flow but also about preserving the capacity to respond to future opportunities and uncertainties.

Recent empirical studies have employed Financial Flexibility Theory to explain variations in firm performance across different contexts. Panda (2018) used the theory to investigate the relationship between working capital financing and profitability among manufacturing firms in India, finding that firms with greater financial flexibility were better able to exploit growth opportunities and cushion against adverse shocks.

Similarly, research by Upreti (2022) demonstrated that maintaining adequate liquidity an essential component of financial flexibility enhanced firms' resilience and improved overall performance, particularly in environments characterized by economic volatility. These studies reinforce the notion that financial flexibility is a critical factor in both sustaining operations and driving profitability. It underpins the investigation by suggesting that firms which effectively manage their current assets and liabilities thereby preserving financial flexibility are better positioned to respond to market fluctuations and invest in profitable opportunities.

Examining key working capital components such as inventory turnover, receivables, and payables, this study leverages the theory to explain how maintaining a flexible financial structure can mitigate risks and enhance profitability. In essence, the theory supports the hypothesis that strategic working capital management, by fostering financial flexibility, is integral to achieving sustainable competitive advantage in an unstable economic environment.

3. Methodology

Research Design

Ex-post facto research design is employed in this study as it involves analysing pre-existing data to explore the causal relationship between working capital management components and profitability of listed consumer goods firms in Nigeria. This design allows the researcher to investigate what has already transpired without interfering with the subjects.

Population and Sample Size of the Study

Population refers to the total items or objects under investigation. In line with the proposed study, the population of the study comprised of all 21 listed consumer goods firms on the Nigerian Exchange Group (NGX) as at December 31, 2024. The study focused on consumer goods firms listed prior to 2014 and remain listed throughout the period of 2023. In addition to these filters, the purposive sampling technique was employed in sampling eighteen (18) consumer goods firms. This is to give consideration to firms with relevant information made available in the annual reports and accounts.

Table 1

Population and Sample Size of Listed Consumer Goods Firms

S/N	Firm	Date Listed	Date Incop.	Remark
1	BUA Foods Plc	January 5, 2022	April 13, 2005	Not Selected
2	Cadbury Nig. Plc	January 1, 1976	January 9, 1965	Selected
3	Champion Brew. Plc (bls)	September 1, 1983	July 31, 1974	Selected
4	Dangote Sugar Refinery Plc	March 8, 2007	January 4, 2005	Selected
5	DN Tyre & Rubber Plc	October 21, 1961	October 21, 1961	Selected
6	Flour Mills Nig. Plc	August 14, 1979	September 29, 1960	Selected
7	Golden Guinea Brew. Plc	January 1, 1979	September 26, 1962	Selected
8	Guiness Nig. Plc	Januray 2, 1965	April 29, 1950	Selected
9	Honeywell Flour Mill Plc	October 20, 2009	July 9, 1985	Selected
10	International Breweries Plc	January 1, 1995	December 22, 1971	Selected
11	Mcnichols Plc	December 18, 2009	April 26, 2004	Not Selected
12	Multi-trex Integrated Foods Plc	November 1, 2010	October 30, 1999	Not Selected
13	N Nig. Flour Mills Plc	January 1, 1978	October 29, 1971	Selected
14	Nascon Allied Industries Plc	October 20, 1992	April 30, 1973	Selected
15	Nestle Nig. Plc	April 20, 1979	September 25, 1969	Selected
16	Nigerian Brew. Plc	September 5, 1973	November 16, 1946	Selected
17	Nigerian Enamelware Plc	September28, 1979	May 21, 1960	Selected
18	PZ Cussons Nigeria Plc	February 18, 1974	April 12, 1948	Selected
19	Unilever Nigeria Plc	April 1, 1973	November 4, 1923	Selected
20	Union Dicon Salt Plc	September23, 1993	November 12, 1991	Selected
21	Vitafoam Nig. Plc	January 11, 1978	April 8, 1962	Selected

Source: Listed Companies-Nigerian Exchange Group (ngxgroup.com), 2025

Source and Methods of Data Collection

This study used secondary data. Secondary data was used due to the nature of the variable under this study. In other words, the study was conducted using online annual reports and accounts of the sampled consumer goods firms in Nigeria. The data were obtained from annual reports and accounts of the eighteen (18) listed consumer goods firms for the period 2014 to 2023. These data where then arranged in as panel data, and was used to explain the relationship between the variables considered in the study.

Technique of Data Analysis

Considering the quantitative nature of this study and multiple variables employed for the study, the initial analysis examined the pool regression, where the heterogeneous nature of the individual firms would not be considered. Given that the

data was cross sectional time series, the panel analysis was conducted. The fixed and random effect models was examined and hausman specification test used to decide between the appropriate models to report. Where the fixed effect model is selected, the group Heteroskedasticity test would be conducted and where the random effect model is selected, the Lagrangian multiplier test for random effect was reported.

Variable Measurements

Table 2

Variable Definition, Measurements and Sources

Variable	Type	Definition	Measurement	Sources
Profitability (ROA)	Dependent	Firm's efficiency in generating profit from its assets.	(Profit After Tax / Total Assets) × 100	Adebayo & Adegbie (2018); Olokoyo (2019)
Inventory Turnover Period (ITP)	Independent	Average number of days to convert inventory into sales, reflecting inventory management efficiency.	(Average Inventory / Cost of Goods Sold) × 365	Adebayo & Adegbie (2018); Olokoyo (2019)
Receivable Collection Period (RCP)	Independent	Average number of days required to collect cash from credit sales.	(Accounts Receivable / Net Sales) × 365	Adebayo & Adegbie (2018); Okoro & Egbetunde (2020)
Payable Payment Period (PPP)	Independent	Average number of days a firm takes to pay its suppliers, indicating the efficiency of payables management.	(Accounts Payable / Cost of Goods Sold) × 365	Adekunle (2018); Iyiola (2019)

Source: Compiled by Researcher, 2025

Model Specification

The study specifies its model using a multiple linear regression framework, where profitability: measured by Return on Assets (ROA) is expressed as a function of key working capital management components, namely Inventory Turnover Period (ITP), Receivable Collection Period (RCP), and Payable Payment Period (PPP), Hence the model is expressed as: $ROA_{it} = \beta_0 + \beta_1 ITP_{it} + \beta_2 RCP_{it} + \beta_3 PPP_{it} + \varepsilon_{it}$ ---------- (1)

Where: ROA = Return on Assets; i = Cross section; t = Time Series; β_0 = Constant; $\beta_1 - \beta_3$ = Coefficients; ITP = Inventory turnover period; RCP = Receivable collection period; PPP = Payable payment period; ε = Error term

4. Results And Discussion

Descriptive Statistics

Table 3

Summary Statistics

Variable	Obs	Mean	Std. Dev.	Minimum	Maximum
ROA	180	22.13	14.969	-8.08	76.097
ITP	180	77.168	26.965	34.528	189.376
RCP	180	71.273	42.63	20.506	193.925
PPP	180	143.158	46.943	32.629	282.043

Source: Extracted from STATA 16 Output file, 2025

The descriptive statistics results in Table 3 provide valuable insights into the relationship between working capital management and profitability, measured by Return on Assets (ROA), for listed consumer goods firms in Nigeria. The descriptive statistics indicate that the average ROA across the 180 observations is 22.13%, with a standard deviation of 14.97%. This suggests a moderate variation in profitability among the firms, with some companies experiencing negative returns (-8.08%) while others achieve high profitability (76.10%). The wide range highlights differences in financial performance within the sector, potentially influenced by working capital management practices.

The Inventory Turnover Period (ITP) has a mean value of 77.17 days, indicating that, on average, firms take about 77 days to sell and replace their inventory. The standard deviation of 26.97 days shows notable variation in inventory management efficiency among firms. The minimum ITP of 34.53 days suggests that some firms operate with a fast inventory turnover, while others take significantly longer (up to 189.38 days) to clear stock. A longer ITP may indicate inefficiencies in inventory management.

The Receivable Collection Period (RCP) has an average of 71.27 days, meaning firms take approximately 71 days to collect payments from customers. The high standard deviation (42.63 days) indicates considerable variation in credit policies across firms. Some companies collect receivables in as little as 20.51 days, while others take up to 193.93 days, potentially affecting cash flow and liquidity. A prolonged receivable period could tie up working capital, negatively impacting profitability whereas a shorter collection period may enhance cash flow efficiency and improve ROA.

The Payables Payment Period (PPP) has the highest mean value (143.16 days), showing that firms, on average, take about 143 days to pay their suppliers. The standard deviation of 46.94 days suggests that payment practices vary significantly, with some firms paying as early as 32.63 days and others delaying payments up to 282.04 days. A longer payables period may enhance liquidity by allowing firms to use supplier credit as a source of financing, but excessively delayed payments could harm supplier relationships and lead to higher procurement costs.

Correlation Matrix

Table 4

Pairwise Correlations

Variables	ROA	ITP	RCP	PPP
ROA	1.000			
ITP	0.107	1.000		
	(0.154)			
RCP	-0.178*	0.040	1.000	
	(0.017)	(0.592)		
PPP	-0.207*	-0.159*	0.276*	1.000
	(0.005)	(0.033)	(0.000)	

**** p<0.01, ** p<0.05, * p<0.1*

Source: Extracted from STATA 16 Output file, 2025

The correlation matrix in Table 4 reveals the relationships between working capital management variables and profitability (ROA) among listed consumer goods firms in Nigeria. The Inventory Turnover Period (ITP) shows a weak positive correlation with ROA (0.107, p = 0.154). The Receivable Collection Period (RCP) exhibits a significant negative correlation with ROA (-0.178, p = 0.017), suggesting

that longer receivable collection periods reduce profitability by tying up cash in outstanding debts.

Similarly, the Payables Payment Period (PPP) has a stronger negative correlation with ROA (-0.207, p = 0.005), implying that delaying supplier payments might harm profitability, possibly due to strained supplier relationships or lost early payment discounts. Additionally, PPP is negatively correlated with ITP (-0.159, p = 0.033), while RCP and PPP are positively correlated (0.276, p = 0.000), suggesting that firms with longer payable periods also tend to have longer receivable collection periods. Overall, the results indicate that effective receivables and payables management play crucial roles in enhancing profitability, while inventory turnover appears less influential.

Diagnostic Tests

Normality Test

Table 5

Shapiro-Wilk W test for Normal Data

Variable	Obs	W	V	z	Prob>z
ROA	180	0.957	5.824	4.032	0.000
ITP	180	0.907	12.633	5.805	0.000
RCP	180	0.897	14.042	6.046	0.000
PPP	180	0.985	2.004	1.591	0.056

Source: Extracted from STATA 16 Output file, 2025

The Shapiro-Wilk test for normality in Table 5 assesses whether the variables in the study follow a normal distribution. The test results indicate that Return on Assets (ROA), Inventory Turnover Period (ITP), and Receivable Collection Period (RCP) all have p-values of 0.000, which are below the conventional significance level ($p<0.05$). This suggests that these variables significantly deviate from normality.

Specifically, ROA has a W value of 0.957, while ITP and RCP have lower W values of 0.907 and 0.897, respectively, indicating a stronger departure from normality. The Payables Payment Period (PPP), however, has a W value of 0.985 and a p-value of 0.056, which is slightly above the 0.05 threshold. This implies that PPP is approximately normally distributed, though it still exhibits some deviation.

Overall, the results suggest that most of the working capital management variables are not normally distributed, which may necessitate the use of non-parametric statistical techniques or transformations to improve normality before conducting further analyses.

Multicollinearity Test

Table 6

Variance Inflation Factor

Variable	VIF	1/VIF
PPP	1.117	.895
RCP	1.091	.917
ITP	1.034	.967
Mean VIF	1.081	.

Source: Extracted from STATA16 Output file,2025

The Variance Inflation Factor (VIF) test results in Table 6 assess the presence of Multicollinearity among the independent variables in the study. The VIF values for all variables Payables Payment Period (PPP) at 1.117, Receivable Collection Period

(RCP) at 1.091, and Inventory Turnover Period (ITP) at 1.034 are all below the conventional threshold of 10, indicating that Multicollinearity is not a concern in this study.

The mean VIF value of 1.081 further supports this conclusion, suggesting that the independent variables are not highly correlated with each other. Additionally, the 1/VIF values, which measure tolerance, are all close to 1, reinforcing the absence of significant Multicollinearity. These results confirm that the regression analysis will not be distorted by Multicollinearity, ensuring the reliability of the estimated coefficients in explaining the impact of working capital management on profitability.

Groupwise Heteroskedasticity Test

Table 7

Breusch-Pagan / Cook-Weisberg test for Heteroskedasticity

Chi2(1)	Prob>chi2
549.34	0.0000

Source: Extracted from STATA 16 Output file, 2025

The results of the Modified Wald test for groupwise heteroskedasticity in Table 7 indicate the presence of heteroskedasticity in the fixed effects regression model. The null hypothesis (H_0) assumes that the variance of the error terms is constant across all groups (i.e., no heteroskedasticity), but the test statistic ($chi^2 = 549.34$) and the corresponding p-value (0.0000) strongly reject this assumption at a 1% significance level.

This suggests that the error variances differ across firms, meaning the model suffers from heteroskedasticity. Such a violation of homoskedasticity assumptions can lead to inefficient and biased standard errors, potentially affecting the reliability of statistical inferences. To address this issue, the panel corrected standard errors (PCSEs) is desirable to improve the accuracy and validity of the regression results.

Serial Correlation

Table 8

Wooldridge test for Autocorrelation in Panel Data

F (1, 17)	Prob > F
0.420	0.5256

Source: Extracted from STATA 16 Output file, 2025

The Wooldridge test for autocorrelation in Table 8 examines whether first-order serial correlation is present in the panel data regression model. The null hypothesis (H_0) assumes no first-order autocorrelation. The test results show an F-statistic of 0.420 and a corresponding p-value of 0.5256, which is well above the conventional significance levels (0.01, 0.05, and 0.10).

As a result, the null hypothesis cannot be rejected, indicating that there is no significant autocorrelation in the panel data. This suggests that the regression model does not suffer from serial correlation issues, ensuring that the error terms are independently distributed over time. Consequently, the model's estimates remain efficient and unbiased, and no corrective measures, such as the use of generalized least squares (GLS) or Newey-West standard errors, are required.

Hausman Specification Test

Table 9

Hausman (1978) Specification Test

	Coef.
Chi-square test value	9.164
P-value	.027

Source: Extracted from STATA 16 Output file, 2025

The Hausman Specification Test in Table 9 is used to determine whether a fixed effects or random effects model is more appropriate for the regression analysis. The null hypothesis (H_0) assumes that the random effects model is the preferred choice, meaning that individual-specific effects are uncorrelated with the independent variables. The test results show a chi-square value of 9.164 and a p-value of 0.027, which is statistically significant at the 5% level.

Since the p-value is below 0.05, the null hypothesis is rejected, indicating that the fixed effects model is more appropriate for this study. This suggests that firm-specific characteristics have a systematic effect on the independent variables, making the fixed effects model a better choice for controlling unobserved heterogeneity and providing more reliable estimates of the impact of working capital management on profitability.

Regression Results

Table 9

Prais-Winsten Regression, Independent Panels Corrected Standard Errors

ROA	Coef.	St. Err.	t-value	p-value	[95% Conf	Interval]	Sig
ITP	.015	.03	0.51	.612	-.043	.074	
RCP	-.022	.016	-1.38	.168	-.053	.009	
PPP	-.029	.014	-2.01	.044	-.057	-.001	**
Constant	29.41	3.812	7.72	0	21.939	36.881	***
Mean dependent var		22.130	SD dependent var		14.969		
R-squared		0.515	Number of obs		180		
Chi-square		8.315	Prob > chi2		0.040		

*** p<.01, ** p<.05, * p<.1

Source: Extracted from STATA 16 Output file, 2025

The regression model accounts for approximately 51.5% of the variability in profitability ($R^2 = 0.515$), indicating a moderate explanatory power. The overall significance of the model is supported by a chi-square test ($\chi^2 = 8.315$, $p = 0.040$). While only PPP shows a statistically significant impact on ROA, the insights from Financial Flexibility Theory suggest that firms capable of maintaining financial flexibility can better manage their working capital components, thereby enhancing profitability. For Nigerian consumer goods firms, this implies that strategic financial planning and maintaining liquidity are crucial for optimizing payables management and overall financial performance.

Hypotheses Testing

The first hypothesis (H_{01}) states that Inventory Turnover Period (ITP) has no significant impact on profitability (ROA) of listed consumer goods firms in Nigeria. The regression results show that ITP has a coefficient of 0.015 with a p-value of 0.612,

which is greater than the 0.05 significance threshold. This indicates that changes in ITP do not significantly affect the profitability of the firms studied. Since the p-value is not statistically significant, we fail to reject the null hypothesis, concluding that ITP does not have a significant impact on ROA.

The second hypothesis (H_{02}) posits that Receivable Collection Period (RCP) has no significant impact on profitability (ROA) of listed consumer goods firms in Nigeria. The regression results show that RCP has a coefficient of -0.022 and a p-value of 0.168, which is above the 0.05 significance level. This suggests that variations in RCP do not statistically influence firms' profitability. Given that the p-value is not significant, we fail to reject the null hypothesis, meaning that RCP does not significantly impact ROA.

The third hypothesis (H_{03}) asserts that Payables Payment Period (PPP) has no significant impact on profitability (ROA) of listed consumer goods firms in Nigeria. The regression results reveal that PPP has a coefficient of -0.029 with a p-value of 0.044, which is less than the 0.05 significance level. This implies that an increase in PPP negatively affects profitability, as firms delaying supplier payments tend to experience reduced financial performance. Since the p-value is statistically significant, we reject the null hypothesis and conclude that PPP has a significant negative impact on ROA.

Discussion of Findings

Inventory Turnover Period and Profitability

The regression analysis indicates a positive but statistically insignificant relationship between Inventory Turnover Period (ITP) and Return on Assets (ROA) ($\beta = 0.015$, $p = 0.612$). This suggests that the rate at which firms convert inventory into sales does not significantly impact profitability. Recent studies, such as Binsaddig et al. (2023), have found a positive correlation between efficient inventory management and profitability, emphasizing the importance of maintaining optimal inventory levels to reduce holding costs and enhance returns.

The insignificant relationship observed in this study may indicate that Nigerian consumer goods firms have achieved a balance in inventory levels, rendering its effect on profitability minimal. Financial Flexibility Theory supports this finding by suggesting that firms with flexible financial policies can adjust their inventory investments without adversely affecting profitability, thereby maintaining operational efficiency.

Receivable Collection Period and Profitability

The analysis reveals a negative but statistically insignificant relationship between Receivable Collection Period (RCP) and ROA ($\beta = -0.022$, $p = 0.168$), implying that longer collection periods may slightly reduce profitability, though not significantly. A study by Yusup and Hariani (2024) reported a significant negative relationship between RCP and profitability, indicating that prompt receivables collection enhances financial performance.

The discrepancy in significance levels between studies could be attributed to differences in regional credit practices and customer bases. Financial Flexibility Theory posits that firms with greater financial flexibility can offer more lenient credit terms without compromising profitability, as they possess the resources to absorb potential delays in receivables. In this context, Nigerian consumer goods firms may be utilizing their financial flexibility to manage extended receivable periods without a substantial impact on profitability.

Payable Payment Period and Profitability

The regression results demonstrate a statistically significant negative relationship between Payables Payment Period (PPP) and ROA ($\beta = -0.029$, $p = 0.044$), indicating that delaying payments to suppliers is associated with reduced profitability. This finding aligns with the study by Yusup and Hariani (2024), which found that extended payment periods negatively affect firm performance, possibly due to strained supplier relationships and loss of early payment discounts.

Financial Flexibility Theory explains this by suggesting that firms with less financial flexibility may delay payments to conserve cash, but this practice can backfire by damaging supplier trust and increasing costs, ultimately harming profitability. Therefore, Nigerian consumer goods firms might benefit from enhancing their financial flexibility to meet payables promptly, fostering better supplier relations and improving profitability.

Policy Implication of Findings

The findings of this study have significant policy implications for financial managers, policymakers, and regulatory authorities in Nigeria's consumer goods sector. The negative and significant relationship between the Payables Payment Period (PPP) and profitability (ROA) suggests that delaying supplier payments can reduce financial performance, highlighting the need for firms to optimize their working capital strategies. Policymakers should encourage timely payment policies and supplier relationship management to enhance financial stability.

Furthermore, the insignificant impact of the Inventory Turnover Period (ITP) and Receivable Collection Period (RCP) on profitability suggests that firms should adopt flexible financial policies, as explained by the Financial Flexibility Theory, to better navigate liquidity constraints. Regulatory authorities could introduce policies that incentivize efficient working capital management, such as tax incentives for firms that maintain optimal working capital cycles. Additionally, firms should leverage financial technologies and digital payment systems to enhance the efficiency of their working capital processes, thereby improving overall profitability and sustainability in the industry.

5. Conclusion and Recommendations

This study examines the impact of working capital management on the profitability of listed consumer goods firms in Nigeria from 2014 to 2023. Using Return on Assets (ROA) as a measure of profitability, the study investigates the effects of Inventory Turnover Period (ITP), Receivable Collection Period (RCP), and Payables Payment Period (PPP) on financial performance.

The regression analysis reveals that PPP has a significant negative impact on ROA, indicating that delayed supplier payments adversely affect profitability. However, ITP and RCP do not show a statistically significant relationship with ROA, suggesting that inventory turnover efficiency and receivables collection policies may not directly influence profitability in the sector. The study concludes that effective working capital management is essential for enhancing the financial performance of consumer goods firms, particularly through strategic supplier payment policies.

Based on the study's findings, several recommendations are proposed to improve the profitability of listed consumer goods firms in Nigeria. First, firms should optimize their payables payment period by ensuring timely payments to suppliers, as prolonged delays may weaken supplier relationships and lead to unfavorable credit terms, ultimately reducing profitability.

Second, while ITP and RCP were not statistically significant, firms should still maintain efficient inventory and receivables management to avoid liquidity issues and ensure operational continuity.

Third, policymakers and regulators should develop guidelines that encourage firms to adopt balanced working capital management strategies, such as access to short-term financing options that reduce reliance on extended payment periods.

Fourth, financial managers should leverage financial flexibility by maintaining adequate cash reserves and optimizing cash flow to enhance operational efficiency and sustain long-term profitability. By implementing these recommendations, firms can strengthen their financial health and improve overall performance in Nigeria's consumer goods sector.

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