
Effects of working capital management on the financial performance of quoted manufacturing firms in NIGERIA

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Abstract

This study examines the effects of working capital management on the financial performance of quoted manufacturing firms in Nigeria. Secondary data extracted from the firms' annual financial reports were used. Out of the 87 firms listed on the Nigerian Stock Exchange, 26 firms were sampled. The study covers a period of seven (7) years, from 2004 to 2010. The technique of data analysis is that of 2 steps GMM regressions in which Operating Income to Sales (OIS) and Operating Cash Flow to Sales (OCFS) were used as the dependent variables. The results obtained show that firms receivable collection capacity has a significant negative relationship with firms financial performance; the inventory conversion efficiency was found to have a significant positive impact on the financial performance of firms while the deferral period was found to have no significant impact on the financial performance of these firms. It is recommended that the managers of listed manufacturing firms in Nigeria should lay much importance on the receivables collection period and the inventory conversion period of their firms when taking decisions that relate to profitability of the firms.
