

**EFFECT OF WORKING CAPITAL MANAGEMENT ON PERFORMANCE OF
NON-LISTED FINANCIAL CONSUMER GOODS FIRMS IN NIGERIA**

OGUNLADE TAYO STEPHEN

(19PAG02062)

SEPTEMBER, 2021

**EFFECT OF WORKING CAPITAL MANAGEMENT ON PERFORMANCE OF
NON-LISTED FINANCIAL CONSUMER GOODS FIRMS IN NIGERIA**

BY

OGUNLADE TAYO STEPHEN

(19PAG02062)

**B.Sc. Science Laboratory Technology (Chemistry option), Ekiti State University,
Ado-Ekiti**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE
STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD
OF MASTERS OF BUSINESS ADMINISTRATION (MBA) DEGREE IN FINANCE IN
THE DEPARTMENT OF BUSINESS MANAGEMENT, COLLEGE OF
MANAGEMENT AND SOCIAL SCIENCE, COVENANT UNIVERSITY.**

SEPTEMBER, 2021

ACCEPTANCE

This is to attest that this dissertation is accepted in partial fulfilment of the requirements for the award of the degree of Masters of Business Administration (MBA) in Finance in the Department of Business Management, College of Management and Social Sciences, Covenant University, Ota.

Mr. John A. Philip

(Secretary, School of Postgraduate Studies)

.....

Signature and Date

Prof. Akan B. Williams

(Dean, School of Postgraduate Studies)

.....

Signature and Date

DECLARATION

I, **OGUNLADE TAYO STEPHEN (19PAG02062)** declare that this research was carried out by me under the supervision of **Prof. Ailemen O. Ikpefan** of the Department of Banking and Finance College of Management and Social sciences, Covenant University, Ota, Nigeria.

I attest that the dissertation has not been presented either wholly or partially for the award of any degree elsewhere. All sources of data and scholarly information used in this dissertation are duly acknowledged.

OGUNLADE, TAYO STEPHEN

.....

Signature and Date

CERTIFICATION

This is to certify that this research study titled “**EFFECT OF WORKING CAPITAL MANAGEMENT ON PERFORMANCE OF NON-LISTED FINANCIAL CONSUMER GOODS FIRMS IN NIGERIA**” is an original research work carried out by **OGUNLADE TAYO STEPHEN (19PAG02062)**, in the Department of Business Management, College of Management and social sciences, Covenant University, Ota, Ogun State, Nigeria under the supervision of Prof. Ailemen O. Ikpefan. We have examined and found that this work is acceptable as part of the requirements for the award of Masters of Business Administration in Finance.

Prof. Ailemen O. Ikpefan

.....

(Supervisor)

Signature and Date

Prof. Anthonia A. Adeniji

.....

(Head of Department)

Signature and Date

Prof. Josaphat U. J. Onwumere

.....

(External Examiner)

Signature and Date

Prof. Akan B. Williams

.....

(Dean, School of Postgraduate Studies)

Signature and Date

DEDICATION

This research work is dedicated to God Almighty for His unwavering love, grace, and mercy showered on me in my academic pursuit.

ACKNOWLEDGEMENTS

The success of this research project has been made possible by the Almighty God, in whom I believe made this a success and His mercies endures forever towards me. I give God thanks for keeping me alive to complete this research work, to him alone be all glory. Amen.

I am deeply grateful to the visionary of this great citadel (Covenant University, Ota), Dr. David O. Oyedepo for his foresight and for constantly giving time to stimulate our potentials in God and to steer us in the realm of exploits. I am grateful to the University management under the competent leadership of Professor Abiodun H. Adebayo (The Vice-Chancellor), Professor Akan B. Williams Dean School of Postgraduate Studies (SPS), Dr. Emmanuel O. Amoo (Sub-Dean School of Postgraduate Studies) and the Registrar Pastor Oluwasegun Omidiora. I deeply appreciate the support of Professor Uwalomwa Uwuigbe (Dean, College of Management, and Social Sciences). Special thanks to the Sub-Dean, Professor Obinna Nwinyi, for their leadership by example and continual support. I sincerely appreciate the efforts of the Head of Department Business Management, Professor Anthonia Adeniji. May the Lord reward your labour of love and selflessness in Jesus name.

My heartfelt gratitude goes to my veritable supervisor Prof. Ailemen O. Ikpefan whose perseverance, precision, meticulousness, painstaking efforts and above all rare patience in inculcating academic excellence will always be remembered. Through his unwavering support, this work has been brought to completion.

I also want to acknowledge Head of Department Professor Anthonia A. Adeniji (Business Management), Professor Chinonye L. Moses, Dr Abiola Babajide (Banking and Finance) for your mentorship, tutelage, and your untiring interest in my progress. You are a rare gem, I say thank you for your words of encouragement. I appreciate the lecturer of both departments: Professor Worlu Rowland, Dr Adetiloye Kehinde, Dr Tochukwu Okafor, Dr John Isibor, Dr Godwill Osuma, Dr Salau Odunayo, Dr Ibidunni S. Ayodotun, Dr Ufua Daniel E, Mrs Olabisi Shodimu and I say thank you for your support and the knowledge imparted.

I also dedicate this research project to my Parents Mr. Samson Ogunlade and Mrs. Adenike Ogunlade, and my brother Mr. Tolulope Ogunlade, his wife and daughter, for their sincere love,

push, and support. This may not have been a reality without them. My indebtedness to you all can never be measured in gold. May God continue to bless you.

To my very dear friends, Grace Oluwabukola Onibudo, Akadiri Aanuoluwapo, Omotola Ayodeji Gbenga, Fasheyitan Oluwatobi David, George Odigie, Ogwu Buchi Eunice, Idia Sandra, Charles Chukwudi, Okolo Somto, Jerry Chukwuemeka, I am indebted to you all for your love, support and inspiration. With unquantifiable gratitude, and so many more in the Hebron family that their name falls in between A-Z, I acknowledge you all. Thank you all for being there and making this chapter of my life worthwhile.

TABLE OF CONTENTS

ACCEPTANCE	iii
DECLARATION	iv
CERTIFICATION	v
DEDICATION	vi
ACKNOWLEDGEMENTS	vi
LIST OF TABLES	xi
LIST OF FIGURES	xii
APPENDICES	xiii
ABSTRACT	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statement of the Research Problem	6
1.3 Research Questions	8
1.4 Objectives of the study	9
1.5 Research Hypotheses	9
1.6 Scope of the Study	9
1.8 Methodology	10
1.8.1 Data Analysis	10
1.8.2 Data Sources	10
1.9 Definition of Terms	10
1.10 Organization of the Study	11
CHAPTER TWO: LITERATURE REVIEW	12
2.1 Conceptual Review	12
2.1.1 Working Capital and Firm's Profitability	14
2.1.2 The following are some financial performance indicators.	16
2.1.3 Cash Conversion Cycle	17
2.1.4 Account Receivables	18
2.1.5 Inventories	18
2.1.6 Account Payable	19
2.1.7 Management Policies	20
2.1.8 Gross Operating Profit (GOP):	21
2.1.9 The relationship between working capital and the size of a company	23
2.1.10 Relationship between working capital and business growth	24
2.1.11 Relationship between working capital and interest rate	24
2.1.12 Relationship between working capital and Inflation rate	25
2.2 Theoretical Review	27
2.2.1 Pecking Order Theory	28
2.2.2 Trade-offs Theory	28
2.2.3 Agency Theory	28
2.2.4 Transaction Cost Theory	29
2.2.5 Economic quantity order model (EOQ)	29
2.2.6 Cash cycle theory	29
2.2.7 Risk and return theory	30
2.2.8 Resource-based theory	30

2.2.9 Contingency Theory	31
2.3 Empirical Review	31
CHAPTER THREE: METHODOLOGY	58
3.1 Theoretical Framework	58
3.1.1 Resource based theory	58
3.1.2 Contingency Theory	59
3.2 Research Design	61
3.3 Method Of Data Collection	61
3.4 Restatement Of Hypothesis	62
3.5 Model Specification	62
3.5.1 Model 1: For objective 1	62
3.5.2 Model 2: for Objective Two	63
3.5.3 Model 3: for Objective Three	64
3.5.4 Model 4: for Objective Four	65
3.6 Estimation Technique	66
3.6.1. Pre-estimation Test	66
3.6.2 Error Correction Model	67
3.7 Ethical Consideration	68
3.8 Apriori Expectations	68
CHAPTER FOUR: RESULTS AND DISCUSSIONS	70
4.1 Descriptive Statistics of the Variables	70
4.2 Unit Root Test	74
4.2.2 Relationship between inventory ratio and profitability of non-financial firms (Consumer Goods) in Nigeria	78
4.2.3 Relationship between Account payable periods and the financial performance of listed Consumer Goods firms in Nigeria	81
4.2.4 Relationship between Cash Conversion Cycle and the Profitability of listed Consumer Goods firms in Nigeria	85
4.3 Correlation Matrix	88
4.3.1 Graphical illustration of the return on asset of the firms	89
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS	90
5.1 Discussion of Findings	90
5.1.1 Empirical Findings	90
5.2 Conclusions	91
5.3 Recommendations	91
5.4 Contribution to Knowledge	92
5.5 Limitation	92
5.6 Suggestions for futher studies	97
REFERENCES	94
APPENDIX	108

LIST OF TABLES

Table	Title of Tables	pages
Table 3.1	Variables description	61
Table 3.2	Sources of variables	64
Table 3.3	Apriori Expectation for the study	72
Table 4.1	Descriptive Statistics of the Variables	73
Table 4.1b	Skweness and Kurtosis	75
Table 4.2	Fisher-type unit root test results	76
Table 4.3	Fixed effect estimate of ARP on performance	78
Table 4.4	Fixed effect estimate on performance	79
Table 4.5	Fixed effect estimate ARP on performance	84
Table 4.6	Fixed effect estimate CCC on performance	87
Table 4.7	Correlation matrix	90

LIST OF FIGURES

Figures	Title of Figures	Pages
Chart 1	Cash conversion cycle	21
Figure 2.1	Working capital component on performance metric	22
Figure 2.2	Working capital component on Performance metric (ROE)	23
Figure 4.1	Panel-graphical illustration of the return on asset of the firms	92

APPENDICES

Descriptive Statistics Of The Variables	97
Skewness And Kurtosis Test For The Variables	98
Unit Root Test For The Variables	98
Unit Root Test for Log of Inventory Turnover – Stationary at 1 st Difference	99
Unit Root Test for Log of Account Receivable Period – Stationary at Level Form	99
Unit Root Test for Log of Account Payable Period – Stationary at level form	100
Unit Root Test for Log of Return on Asset – Not stationary at level form	100
Unit Root Test for Log of Return on Asset – Stationary at First Difference	101
Unit Root Test for Log of Return on Equity – Stationary at Level Form	101
Unit Root Test for Log of Return on Cash Conversion Cycle – stationary at level form	102
Panel Fixed Effect Model for Objective 1	103
Panel Random Effect Model for Objective 1	104
Hausman Specification Test for Objective 1	105
Panel Fixed Effect Model for Objective 2	105
Panel Random Effect Model for Objective 2	106
Hausman Specification Test for Objective 2	107
Panel Fixed Effect Model for Objective 3	108
Panel Random Effect Model for Objective 3	109
Hausman Specification Test for Objective 3	110
Panel Fixed Effect Model for Objective 4	110
Panel Random Effect Model for Objective 4	111
Hausman Specification Test for Objective 4	111
The Correlation Matrix of the Variables	112
Graph of Return on Asset of the Company	112

ABSTRACT

The aim of this study was to assess the impact of working capital management on financial performance of listed consumer goods firms in Nigeria. To know whether working capital variables like cash conversion cycle CCC, account receivables period ARP, account payables period APP, and inventory turnover period ITP had a substantial impact on the financial performance of publicly traded consumer goods firms in Nigeria. Resources based and contingency theories were adopted. The study population was from 2003 to 2020. The study's hypotheses were tested using regression. The null hypothesis that ARP has no statistically significant influence on consumer goods firm profitability is also accepted at the 5% level; the CCC has a positive effect on consumer goods firm profitability. The null hypothesis that inflation has no statistically significant effect on consumer goods firm profitability is accepted since an increase in the CCC increases consumer goods firm profitability by 1.22 percent. The null hypothesis that interest rates have no statistically significant effect on non-financial firm profitability is accepted, because cash flow was very constrained throughout the recession period. A positive coefficient and statistically significant effect on firm performance were identified by the results. The CCC, ARP, and ROCE of consumer goods firms had no effect on the firm performance during the covid-19 pandemic. ARP, CCC, and APP can influence the success of consumer goods firms according to the findings. majority of explanatory variables had little effect on the firms' performance throughout these periods, demonstrating the necessity of being prepared for unexpected conditions, annual performance reviews are required to assess a firm's progress, difficulties, and solutions. The study's conclusion on consumer goods financial performance during both the recession and the covid-19 period was that accounting books should be treated separately from performance reviews. Accounting records must be kept carefully for Inventory turnover, accounts receivable and payable as well as cash conversion. These data can help organizations plan for unexpected situations and make informed financial decisions.

Keywords: Account payable period, Account receivable period, Cash conversion cycle, Consumer goods, Inventory turnover period, Working capital,