

The Relationship between Working Capital Management and Financial Performance of Public Listed Companies in Nigeria

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ABSTRACT

Working capital management plays an important role on corporate finance and has a considerable impact on profitability and financial performance. This aim of this study is to examine the relationship between working capital management and financial performance of public listed manufacturing companies in Nigeria. This research is based on a sample of 18 manufacturing companies listed on the Nigeria Stock Exchange (NSE) for the period of 5 years (2013 - 2017). Data was collected from Thomas data stream and annual report and are analyzed using Statistical Package for Social Sciences (SPSS). Cash Conversion Cycle and its component were used as a measure of working capital management and Return on Assets used as a measure for financial performance. The results of the general linear regression analysis found a significant positive relationship between Account Payable Period and profitability. This implies that an increase in the numbers days account payable is associated with increase in profitability. The second findings of the regression model found that account receivable is negative and not significant with profitability, this means that any decrease of numbers of days to collect sale from customers is associated with decrease in the amount of profit that will be generate by these firms. However, the third findings of this study found a non-significant negative relationship between Inventory conversion period and profitability, therefore, for manufacturing companies to generate more profit in their operation, there is need for them to ensure that they convert their stock into sales in a very short period of times. And the final result of this study found a non-significant negative relationship between cash conversion circle and profitability.