

THE CREDIT MANAGEMENT ON LIQUIDITY AND PROFITABILITY POSITIONS OF A MANUFACTURING COMPANY IN NIGERIA

Raymond, A. Ezejiofor

Department of Accountancy,
Nnamdi Azikiwe University, P. M.B. 5025

Adigwe, P. K.

Department of Banking and Finance,
Nnamdi Azikiwe University, P. M.B. 5025.

&

John-Akamelu Racheal, C.

Department of Entrepreneur studies Unit,
Nnamdi Azikiwe University, P. M.B. 5025

ABSTRACT

This paper critically assesses the effects of credit management on liquidity and profitability positions of a manufacturing company. Three hypotheses were formulated in line with the objectives of the study. Descriptive research design was adopted. Samples of two manufacturing companies were selected. Data were obtained from annual accounts of the companies under study. Data obtained were analyzed by use of financial ratios and the three hypotheses formulated were tested with ANOVA using SPSS statistical package 20.0 version. From the analysis made, the researchers found that credit policy can affect profitability management in manufacturing companies in Nigeria and there is a significant correlation between liquidity position and debtors' turnover of the company in Nigeria. Finding also shows that there is a relationship between liquidity management and corporate profitability. Based on the findings, the researcher recommends among others that there is need for companies to maintain adequate liquid assets and eliminate bad debt losses and other associated costs of credit and that company should intensify efforts to engage the services of factoring agents. This will reduce the incidence of bad debts losses and other associated costs of credit.

Keywords: Credit management, Liquidity and Profitability maximization.