

IMPROVING PROFITABILITY OF THE NIGERIAN HEALTH CARE SECTOR THROUGH THE MANAGEMENT OF TRADE CREDITS

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ABSTRACT

The study evaluated the influence of trade credit management on profitability and liquidity of listed manufacturing firms in the Health Care Sector of Nigerian Stock Exchange (NgSE). Firms' management must understand that in this era where only short term planning is the feasible option, the components of working capital, specifically, debtors and creditors involving human behavior should be taken care of in lieu of liquidity profitability trade-off and cash flow synchronization. Panel regression was employed in analyzing collated secondary data of the sampled firms. The study depicted significant negative relationships between ROA and AR (p-value = 0.002 < 0.05) and between CASH and APCOS (p-value = 0.031 < 0.05). It has shown that the continued use and survival of trade credits as a marketing strategy improves liquidity through cash flow synchronization of inventory purchase, account payables and accounts receivables. The study suggested that finance managers of manufacturing companies should regularly review the firm's credit policies and align same to prevailing economic and industry wise peculiarities.

Keywords: Profitability, Liquidity, Firms, Trade Credits.