

**EFFECT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY OF CONSUMER
GOODS FIRMS IN NIGERIA
A STUDY OF UNILEVER NIGERIA PLC**

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JULY, 2026

TITLE PAGE

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
FINANCE, FACULTY OF MANAGEMENT SCIENCES, GODFREY OKOYE UNIVERSITY IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR
OF SCIENCE DEGREE IN ACCOUNTING**

SUPERVISOR:DR BASILIA NWACHUKWU

JULY, 2026

CERTIFICATION

This is to certify that this research project titled Effect of Working Capital Management on Profitability of Consumer Goods Firms in Nigeria A Study of Unilever Nigeria Plc was carried out by UJAH ADA MERCY with matriculation number GOU/U22/ACC/402 in the Department of Accounting and Finance Faculty of Management Science, Godfrey Okoye University. The work has been read and approved as meeting the requirements for the award of Bachelor of Science Degree in Accounting.

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External Examiner

DECLARATION

I declare that this research project titled Effect of Working Capital Management on Profitability of Consumer Goods Firms in Nigeria A Study of Unilever Nigeria Plc is my

original work. It has not been submitted to any other institution for the award of a degree or any other academic qualification.

UJAH ADA MERCY
Student

DATE

DEDICATION

This research project is dedicated to God Almighty for His support throughout the period of this study.

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ABSTRACT

This study examined the effect of working capital management on the profitability of Unilever Nigeria Plc. The Objective of the study was to Assess the effect of the average collection period on the return on assets of Unilever Nigeria Plc, Determine the impact of the inventory conversion period on the return on assets of Unilever Nigeria Plc, Examine the influence of the average payment period on the return on assets of Unilever Nigeria Plc, Investigate the relationship between the current ratio and the return on assets of Unilever Nigeria Plc. The study used secondary data from the audited annual reports of Unilever Nigeria Plc for the period 2012 to 2024. The study adopted an ex post facto design. Return on assets served as the dependent variable. Average collection period, inventory conversion period, average payment period, current ratio served as the independent variables. The analysis used descriptive statistics, correlation analysis, Augmented Dickey Fuller unit root test, Engle Granger residual cointegration test, ordinary least squares regression, post estimation diagnostics. The results showed that all variables became stationary after first difference. The residual cointegration test showed a long run link among the variables. The regression result showed that inventory conversion period had a negative significant effect on return on assets. Average collection period had a positive but not significant effect. Average payment period had a negative but not significant effect. Current ratio had a negative but not significant effect. The study concluded that inventory management is the strongest working capital route through which Unilever Nigeria Plc can improve profitability. The study recommended tighter inventory planning, balanced credit control, careful supplier payment policy, optimal liquidity control.

TABLE OF CONTENTS

Title Page	1
Certification	2
Declaration	3
Dedication	4
Acknowledgements	5
Abstract	6
List of Tables	9
List of Figures	10
List of Abbreviation	11
Definition of Terms	12
CHAPTER ONE: INTRODUCTION	13
1.1 Background of the Study	13
1.2 Statement of the Problem	16
1.3 Objectives of the Study	17
1.4 Research Questions	17
1.5 Research Hypotheses	18
1.6 Significance of the Study	18
1.7 Scope of the Study	19
1.8 Definitions of Terms	20

CHAPTER TWO: REVIEW OF RELATED LITERATURE	22
2.1 Conceptual Review	22
2.2 Theoretical Review	41
2.3 Theoretical Framework	45
2.4 Empirical Review	45
2.5 Summary and Gap in Literature	56
CHAPTER THREE: METHODOLOGY	
3.1 Research Design	63
3.2 Area of Study	63
3.3 Sources of Data	63
3.4 Model Specification	64
3.5 Description of Variables	65
3.6 A priori Expectation	65
3.7 Data Analysis Technique	66
3.8 Limitations of the Study	67
CHAPTER FOUR: PRESENTATION AND ANALYSIS OF DATA	69
4.1 Presentation of Data	69
4.1.1 Descriptive Statistics	70
4.1.2 Analysis of Data	71
4.2 Correlation Matrix	72
4.3 Unit Root Test	73
4.4 Cointegration Test	74
4.5 Ordinary Least Squares Estimation	75
4.6 Test the research Hypotheses	76
4.7 Diagnosis Testing	77
4.8 Discussion of Findings	78
CHAPTER FIVE: SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATION	82

5.1 Summary of Findings	82
5.2 Conclusion	82
5.3 Recommendations	82
5.4 Contributions to Knowledge	83
5.5 Suggestions for Further Studies	83
REFERENCE	84

LIST OF TABLES

Table 1: Representation of Empirical Review	58
Table 2: A priori Expectation	
Table 3: Annual Trends in Return on Assets, Average Collection Period, Inventory Conversion Period, Average Payment Period, Current Ratio from 2012 to 2024	69
Table 4: Descriptive statistics result for time series data on ROA, ACP, ICP, APP, CR from 2012 to 2024	70
Table 5: Pearson Correlation Coefficients	72
Table 6: Unit Root test results for time series data on ROA, ACP, ICP, APP, CR from 2012 to 2024	73
Table 7: Engle Granger Residual Unit Root Test	74
Table 8: Diagnostic Tests for OLS Model	77

LIST OF FIGURES

Figure 1: Graphical analysis results for ROA, ACP, ICP, APP, CR from 2012 to 2024	71
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LIST OF ABBREVIATIONS

Abbreviation	Meaning
ACP	Average Collection Period
ADF	Augmented Dickey Fuller
APP	Average Payment Period
CCC	Cash Conversion Cycle
CR	Current Ratio
EViews	Econometric Views
ICP	Inventory Conversion Period
OLS	Ordinary Least Squares
ROA	Return on Assets
ROE	Return on Equity
VIF	Variance Inflation Factor
WCM	Working Capital Management

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The work power and long term survival of companies within the Nigerian changing consumer goods sector remain in a close way linked to the power of each company to handle short term assets and short term liabilities with careful control. This method which people call working capital management stands as a solid base in company finance planning because it guides company liquidity and guides company work order as well as guides company profit power. In a business setting with company competition and shifting market pressures, the careful control of working capital parts becomes more than basic money control because it grows into a main factor that guides advantage. According to Olaoye et al.(2019), the careful control of current assets along with current liabilities helps the company meet short term debts while giving secure room for investment in value driven activities. A failure to hold this fine balance creates liquidity pressure, creates weak asset returns and both results harm shareholder value as well as company strength within this key sector of the Nigerian economy.

Practical working capital management uses a planned control of current assets along with current liabilities so that the company can get strong value. Upreti (2022) states this idea with wording that points to the full control of all parts of current assets along with current liabilities for a steady flow of operations. Also, profitability stands as a mark of a company 's ability to make earnings when set beside its full expenses within a set time. This measure often uses main finance ratios that show how well the company uses its resources for profit building (Pandey,2015). Akindele and Odusina (2015) state that the connection between both ideas stays very key because choices about working capital rise into choices that guide company profit power. For that reason a clear meaning of both ideas is needed for right study of how they work together within a company room.

Working capital holds two main sides which are current assets and current liabilities. Current assets cover cash, marketable securities, accounts receivable and inventory which serve with clarity needs of a consumer goods company. Current liabilities cover debts due within one year which include accounts payable and short term loans. The management of these items follows rules that move from cautious form to bold form (Gitman & Zutter 2015). A cautious method protects liquidity by keeping large levels of current assets which may lower possible returns while a bold method seeks higher profit by cutting current assets and by using more short term funds. Mache, Omodero (2021) states that the choice of a method keeps a delicate choice between risk, return and management must walk this path with great care.

Profitability stands as a finance result with many sides and people measure it with proven finance ratios. Main profitability signs include Return on Assets ROA which shows how well a company uses its assets for earnings and Return on Equity ROE which shows the return received on shareholder funds. Ross et al.(2019) state that these measures offer view into company finance health along with company inside strength. A stronger ROA shows stronger use of assets for earnings. The choice of a fitting profitability measure becomes key because each ratio brightens a different part of business performance so that a full picture of value building can appear (Zutter & Smart,2022). These measures remain usual tools for finance study when one measures business performance.

A wide set of finance studies show that working capital management, company profitability share a clear connection that shows a strong tension between liquidity and profit. Good working capital control releases money that would stay within the operating cycle so that the money can enter useful uses that increase profit (Amoghor et al.(2024). If management presses profit too with strength by cutting current assets the company risk grows because liquidity weakens. If management keeps too much cash like assets for safety the company loses profit because inventory and cash create very small returns. This main tension pressures

companies to keep a balance. Mache, Omodero (2021) backs this view with findings that show a clear connection between working capital parts and profitability within Nigerian consumer goods companies.

The Nigerian consumer goods sector stands as a strong setting for this research because it keeps special pressures along with main economic weight. The sector works with high volume and low margin sales which makes cash flow management very key for company success. Companies within this sector deal with steady inflation that guides raw material costs, inventory value and they deal with clarity problems that disrupt movement of goods (Uguru et al.(2019). Strong competition pressures profit margins in steady ways. Ogunsola, Opeyemi (2022) states that these strong pressures increase the importance of careful working capital choices because each choice affects company survival, practical cost control and profit power within an unsteady economic room.

Even with the known importance of working capital management many Nigerian consumer goods companies still face serious problems that create a gap between theory and real practice. These problems include weak access to low cost short term funds which limit liquidity control, long cash cycles that grow from weak inventory systems or late payments from customers. Ahmed et al. (2020) state that many companies find it hard to locate the best working capital level that balances liquidity and profit. This difficulty shows a need for more research, so that people can see how exact management actions guide finance results, so that managers can choose better plans for company value building.

This heavy work room along with the strong need for company finance stability shows the strong reason for a detailed study of working capital actions among main companies. Wide studies show the general connection while company centred studies show closer understanding of how working capital choices work within company structures and within company plans. Such close study allows people to see special rules, their effects so that advice for action can

grow. For this reason the present study aims to study the effect of working capital management on profitability among consumer goods companies in Nigeria with focus on Unilever Nigeria Plc.

1.2 Statement of the Problem

The Nigerian consumer goods sector stands as a main base within the national economy. It now faces a strong problem of weak profit power that grows from rising running costs along with strong market competition and unsteady economic pressures. The economic room described by reports from the Federal Ministry of Finance Budget and National Planning (2023) shows steady hardship with high inflation along with foreign exchange instability that guide production costs for these companies. Companies such as Unilever Nigeria Plc respond with cost cutting plans, inside restructuring so that they can protect their finance position. The situation still stays hard because outside economic pressures continue to press on profit power, making it hard for companies to keep steady financial health and steady shareholder value (Ogunsola & Opeyemi 2022). This condition with falling returns shows the need for deeper study of inside finance systems that companies can control to strengthen performance.

A main factor that adds to this profit challenge but often gets weak attention lies in the weak control of working capital. Many Nigerian consumer goods companies face long cash conversion cycles, heavy inventory holding costs, serious issues in receivable, payable control which keep key funds locked and cut profit (Akindele & Odusina 2015). Studies show that a long cash conversion cycle keeps a negative link with company profitability in Nigeria because the more time cash stays within operations the lower the return. Companies try to cut this issue with improved inventory control systems, stronger credit rule design, a wide gap still appears between these actions and the real effect on profit. Much of the research studies wide industry patterns and leaves a wide room in knowledge about how each working capital part affects results within a specific company. Mache & Omodero (2021) state that a close study is needed

because the best mix of working capital depends on the features of each company. The missing connection between clear business level working capital plans and direct profit results stands as a main problem that weakens useful finance choices..

Against this backdrop, the research aims to study the effect of working capital management on the profitability of consumer goods companies in Nigeria, with a clear focus on Unilever Nigeria Plc.

1.3 Objectives of the Study

The main aim of this research is to study the effect of working capital management on the profitability of Unilever Nigeria Plc.

In a clear way, the research seeks to:

- Check the effect of the average collection period on the return on assets of Unilever Nigeria Plc.
- Find the effect of the inventory conversion period on the return on assets of Unilever Nigeria Plc.
- Examine the shaping role of the average payment period on the return on assets of Unilever Nigeria Plc.
- Study the connection between the current ratio and the return on assets of Unilever Nigeria Plc.

1.4 Research Questions

From the above research aims, the following research questions were increased:

- What is the effect of the average collection period on the return on assets of Unilever Nigeria Plc?
- What is the effect of the inventory conversion period on the return on assets of Unilever Nigeria Plc?

- What is the shaping role of the average payment period on the return on assets of Unilever Nigeria Plc?
- What is the connection between the current ratio and the return on assets of Unilever Nigeria Plc?

1.5 Research Hypotheses

The following hypotheses, stated in their null form, will be tested in this research:

H₀₁: The average collection period has no meaningful effect on the return on assets of Unilever Nigeria Plc.

H₀₂: The inventory conversion period has no meaningful effect on the return on assets of Unilever Nigeria Plc.

H₀₃: The average payment period has no meaningful effect on the return on assets of Unilever Nigeria Plc.

H₀₄: There is no meaningful link between the current ratio and the return on assets of Unilever Nigeria Plc.

1.6 Significance of the Study

In a clear way, this research will add to the body of knowledge on working capital management, company profitability within the Nigerian setting and it will stand as fresh back for academic growth. It will give evidence from data from a main company Unilever Nigeria Plc which future researchers can use to test or question existing theory structures. The results will stand as a helpful resource for students, scholars in finance, accounting and the results will show how idea based ideas work in a growing market room. Whilst pointing toward new paths for deeper study.

In a clear way, the leaders of Unilever Nigeria Plc and other companies within the consumer goods sector will get direct value from the results. The research will show a data led view that points to the working capital parts with the strongest effect on profit power. This

will guide planned choices by helping managers guide the cash conversion cycle with greater order, guide credit rule with greater care and guide inventory control with stronger direction. The research will show the best point between liquidity, profit, that the company can use a basic practical model for stronger financial performance and work order.

For people who invest now and for people who may invest later, this research will show a clearer picture of finance health along with work power within Unilever Nigeria Plc. The research will show how well the company handles working capital so that readers can see the company's power to make steady returns. These results will help investors choose with clarity because good working capital management often shows strong management skill along with lower risk and this result guides shareholder value along with dividend rule.

Finance analysts and lenders will also get from the findings. Because the research will show a detailed view into the liquidity position of Unilever Nigeria Plc, its power to meet short term debts which remain key concerns in lending and investment checks. A company with strong working capital control appears less risky, this research will give evidence from data that guides risk judgement and backs clear finance modelling.

1.7 Scope of the Study

This research stays set on the examination of how working capital management guides the profitability of Unilever Nigeria Plc and it uses a focused structure for clarity. The scope of the inquiry stays placed on four main independent variables that stand as signs of working capital management. These are the average collection period, the inventory conversion period, the average payment period and the current ratio. Whilst the dependent variable profitability stays marked by return on assets. The demographic scope stays limited to one company Unilever Nigeria Plc so that the research can use a serious case study view instead of a wide industry study that covers many companies. The setting of the research stays within the Nigerian consumer goods sector because the sector keeps special practical and economic

pressures that guide business performance. The place based scope stays within Nigeria. Because the operations of Unilever Nigeria Plc and the finance records of the company stay within the national boundary which makes the Nigerian economic setting the most fitting room for review. The idea based frame of the research stays within company finance principles with clarity the theories that show the connection between liquidity control and company performance. So a strong idea base backs the data based work.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

This part gives a clear review of the main ideas that guide the research, it sets a strong base for later theory and evidence based analysis. It states the meanings along with the parts, the connections between the key variables so that the reader can understand their roles with clarity. The ideas reviewed are working capital management along with the average collection period along with the inventory conversion period. Each idea stands as a main part of the finance movement within a consumer goods company.

2.1.1 Working Capital Management

Working capital is often described as the life source of a business because it shows the funds used for the company with clarity day to day activities. It is grouped into gross working capital which shows the full investment in current assets, net working capital which shows the gap between current assets and current liabilities. Gitman & Zutter (2015) state that working capital management uses effective control of these parts so that operations can move without trouble. This management task stays key for holding balance within the operating cycle from the moment the company buys raw materials to the moment the company collects cash from sales. This balance backs the ongoing strength of the company.

The main goal of working capital management stays set on liquidity and profit at the same time although both aims often stand in conflict. The company must hold enough working capital to meet short term debts as they arise, so that the company stays cash-like and steady. Pandey. (2015) states that current assets such as cash, inventory often create low returns and heavy investment in these assets cuts the total profit of the company. The main challenge for finance managers lies in finding the best level of working capital that keeps safety while still allowing profit growth so that shareholder wealth can rise.

Within a consumer goods company such as Unilever Nigeria Plc the work of managing working capital stays wide due to the nature of the business. The task covers the control of large volumes of inventory, the clarity of credit to many customers and the careful management of payments to many suppliers. These planned debts hold strong importance because good management guides cash flow along with work flow. Upreti (2022) states that strong working capital management stands as a main factor for company advantage, long term success with clarity within a busy and competitive market room.

2.1.1.1 Policies of Working Capital Management

Companies can use several clear rules to guide the management of working capital, the main options include bold rule, cautious rule and moderate rule. A bold rule seeks to keep investment in current assets small compared to sales and often relies on short term financing for back. This method aims to increase profit by keeping little capital within assets that bring low returns. Van Horne and Wachowicz (2009) state that this approach increases the risk of weak liquidity because even a small delay in cash inflow can stop the company from meeting short term debts. This may lead to financial trouble.

A cautious rule stands as the opposite approach because it places safety, liquidity above profit and it does this by keeping a high level of current assets. Under this method the company keeps large cash balances, large marketable securities and large inventory while using more long term capital to fund assets. This method limits failure to pay risk although it may cut profit. Gitman & Zutter (2015) state that heavy investment in current assets cuts the return on total assets and this stands as a main chance cost. This method is chosen by companies that hold low tolerance for risk.

A moderate rule also known as hedging rule tries to create balance between bold and cautious methods by linking the maturity of financing with the maturity of the assets that need funding. Under this plan permanent working capital and set assets are funded with long term

sources while temporary working capital is funded with short term sources. This approach tries to balance the risk return tension that comes with working capital choices. The choice of rule depends on several factors which include the industry, the company size, the access to capital markets and the risk level that leaders want to accept (Pandey 2015).

2.1.1.2 Components and Measurement

The main parts of working capital are current assets, current liabilities and both parts stand at the centre of the clarity activity of a business. Current assets are resources expected to change into cash within one year, these include cash, accounts receivable and inventory. Current liabilities are debts that must be paid within one year, these include accounts payable and short term loans. The careful control of the connection between these parts stays key. Aminu, Zainudin (2015) states that both parts hold strong direct connections within the company's practical structure and both parts guide finance health together.

A main idea for understanding the movement of these parts is the operating cycle which shows the time needed for a company to turn its investment in inventory into cash. The cycle begins with the purchase of raw materials and ends with the collection of cash from the sale of finished goods. A connected measure with wider reach is the cash conversion cycle CCC which shows the full time that company cash stays tied within operations. Zutter, Smart (2022) states that the CCC equals the operating cycle minus the average payment period and this gives a clear sign of working capital efficiency.

The cash conversion cycle stands as a strong tool that measures the strength of working capital management because it brings receivables, inventory and payables into one full figure. A shorter CCC shows stronger efficiency because the company needs less time to create cash from its main operations and this cuts the need for outside funding. Mache and Omodero (2021) found that a shorter CCC among Nigerian consumer goods companies stayed linked with

higher profitability. This shows the strong need for active control of each part, that liquidity can grow and financial performance can rise.

2.1.2 Average Collection Period (ACP)

The Average Collection Period ACP is a finance measure that shows the average number of days a company needs to collect payment from customers after a credit sale. It stands as a key sign of the strength of accounts receivable management. A low ACP shows that the company collects receivables within the expected time which strengthens its cash flow position. Pandey. (2015) states that steady tracking of ACP stays key for liquidity because receivables often form a large part of current assets and provide a main source of operating cash flow.

The length of ACP connects with directness to the company credit rule which includes credit standards, credit terms and collection actions. Extending credit may increase sales, help the company get market position although it creates delay in cash inflow and may increase non payment risk. The ACP therefore shows the result of the balance between sales growth and the need to control the amount invested in receivables. Gitman, Zutter (2015) states that when credit rule stays well handled the ACP will match the credit terms of the company and the usual practice within the industry.

The effect of ACP on liquidity stays strong because a high or rising ACP means larger funds stay tied in receivables. This weakens cash resources and increases the need for outside financing with clarity operations. A low ACP shows quicker cash conversion from receivables, this improves liquidity and gives the company wider finance room. An ACP that stays too low may also show that the company credit rule is too strict, this may push customers away and cut sales (Ross et al 2019).

2.1.2.1 Factors Influencing the Average Collection Period

Several inside, outside pressures work together to guide a company average collection period with the company credit rule and the company collection rule standing as the most direct effects. Credit standards which act as rules for deciding whether a customer can receive credit play a main role. Because strict standards cut the ACP and cut bad debt risk although strict standards may cut sales also. Credit terms such as the length of allowed credit period and the size of cash discount for with clarity payment also guide ACP. Because credit terms create customer expectations for payment as stated by Zutter and Smart (2022).

The strength of the company collection rule stands as another key inside factor that guides ACP. The rule lists the steps used to handle overdue accounts, these steps may include reminder letters and may include legal action. A strong, steady collection rule can cut the ACP and cut bad debt losses. Van Horne, Wachowicz (2009) states that the effort and the resources given to collection must be strong enough to back with clarity payment without driving customers away. So the company can keep positive business ties.

Outside pressures such as economic conditions and industry norms also guide ACP. During economic downturns customers may face finance pressure, delay payments and this increases ACP across the industry. A company must also guide its credit terms to stay competitive with other companies in the same area because industry norms form a benchmark for ACP. Deviations from these norms may place the company at a weak market position (Pandey 2015).

2.1.2.2 ACP and Its Effect on Profitability

The average collection period has a direct, clear effect on company profitability because it guides both cost and revenue pressures. A long ACP means that a company keeps large capital within accounts receivable, this capital demands back through debt which brings interest cost or equity which brings chance cost. Akindele, Odusina (2015) show in their study of

Nigerian companies that a long ACP cuts profit because it increases financing cost and cuts funds that could back more useful investment.

A long ACP also stays linked with higher bad debt risk because the longer an account stays unpaid the lower the chance that the company will collect full payment. Bad debt losses remove revenue with directness and this harms profitability with clarity. Strong management of ACP becomes a key part of risk control because careful credit screening, active collection work help cut bad debt exposure and protect the company bottom line (Ross et al 2019).

A short ACP may increase profit because it brings faster cash inflow, cuts the need for outside financing and cuts its related cost. This however must stay balanced with possible effects on sales. A very strict collection rule, very strict credit terms may push customers away and shrink sales which can cancel the benefit from stronger cash flow. Gitman, Zutter (2015) states that the best ACP reflects balance between credit cost, profit from credit sales so that the company value can rise.

2.1.3 Inventory Conversion Period (ICP)

The Inventory Conversion Period ICP is a measure that shows the average number of days needed for a company to change its inventory into sales. It stands as a main sign of the strength of the company inventory management system. It also stands as a key part of the full cash conversion cycle. A short ICP is preferred because it shows that the company sells inventory fast and this cuts the amount of cash kept in stock. In the consumer goods sector where products often hold limited shelf life the careful control of ICP becomes very key (Pandey 2015).

The ICP role goes beyond showing the speed of inventory turnover because it stays linked to company production plans along with purchasing schedules. A clear grasp of ICP helps the company plan it with clarity of raw materials, guide its manufacturing activities so that inventory levels match sales demand. This helps the company avoid overstocking which

brings high holding costs or understocking which brings lost sales. Van Horne, Wachowicz (2009) states that ICP acts as a core input for building an efficient and responsive clarity chain.

Within the cash conversion cycle ICP stays as the first stage where company cash enters operations. The length of ICP guides the company working capital needs because a long ICP means that cash stays within inventory for a long time, this increases financing needs and presses on company liquidity. Mache, Omodero (2021) found a clear connection between inventory management and profitability in Nigerian consumer goods companies which backs the planned value of cutting ICP to strengthen financial performance.

2.1.3.1 Dimensions of Inventory Management

Effective inventory management uses balance between two main types of opposing costs which are holding costs, ordering costs or stock out costs. Holding costs also called carrying costs include all expenses linked to storing inventory such as warehousing cost, insurance cost, tax cost and the cost of capital tied up in stock. A main part of holding costs is the risk of items becoming obsolete, spoiling and this risk becomes key for consumer goods companies. Zutter, Smart (2022) states that these costs can be very large and can cut company profitability when not controlled with care.

On the other side of the balance sit ordering costs and stock out costs. Ordering costs show the expenses that arise each time the company places an inventory order, these expenses may include clerical work and delivery fees. A stock out cost is the chance cost that grows when an item is not in stock when a customer wants it which leads to lost sales and possible loss of customer goodwill. Companies handle these opposing costs with different techniques such as the Economic Order Quantity EOQ model. This shows the best order size and Just In Time JIT systems which try to keep inventory levels low (Pandey 2015).

The best level of inventory for a company depends on many factors such as sales predictability, supplier reliability and the efficiency of the production method. A manufacturing company such as Unilever keeps inventory in three forms which are raw materials, work in progress and finished goods. Each form keeps different features and needs special management. The aim of inventory management is to find the right stock level for each form of inventory so that operations can continue while keeping total inventory cost at the lowest possible level (Gitman & Zutter 2015).

2.1.3.2 Impact of ICP on Financial Performance

The inventory conversion period creates strong effects on company financial performance because it guides cost levels, cash flow movement and sales results. A long ICP increases holding costs with directness because inventory stays stored and financed for a long period. This leaves cash tied in stock instead of being used for useful and profit building activities which brings heavy chance cost. A long ICP also increases the risk of inventory becoming obsolete with clarity within the consumer goods industry where customer taste can shift fast. This leads to write downs that cut profit with directness (Ross et al. 2019).

A short ICP can increase company liquidity, increase return on assets because faster inventory conversion brings quicker cash inflow and cuts the capital kept in stock. This improved efficiency brings lower holding cost, cuts the need for working capital financing and both results back higher profitability. Uguru et al (2019) show in their study on Nigerian consumer goods companies that strong inventory management stays linked with improved financial performance which points to the clear benefit of a short ICP.

The push for a very short ICP must stay balanced with the risk of stock out and lost sales because very low inventory levels may stop the company from meeting sudden customer demand. This causes revenue loss, harms company reputation and market position over time. The best ICP therefore requires planned balance, that the company keeps enough stock to meet

customer needs without carrying too much inventory that increases cost and cuts efficiency (Van Horne & Wachowicz 2009).

2.1.4 Average Payment Period (APP)

The Average Payment Period APP is a finance ratio that shows the average number of days a company needs to pay its suppliers. It acts as a main sign of accounts payable management because it shows the company rule on the use of trade credit which remains a natural and interest free source of short term financing. A long APP shows that the company uses supplier credit well to fund operations and this cuts the need for clarity outside financing. Gitman and Zutter (2015) state that APP stands as a key part of the cash conversion cycle because extending it helps cut the full cycle.

The importance of APP appears through its direct effect on liquidity and cash flow because delaying supplier payments lets the company hold cash within operations for a longer period. This increases the cash available for other needs. This source of financing stays valuable for small companies or fast growing companies that face limits in receiving bank loans. Pandey (2015) states that trade credit stands as one of the most key short term funding sources for companies and APP shows with clarity how much a company uses this credit for advantage.

The management of APP requires careful balance because it affects the connection between the company and its suppliers. While delayed payments can help the company in the short term, repeated late payments can harm the company reputation, may cause suppliers to deny credit later or even stop doing business with the company. The company must handle APP in a way that improves cash flow without harming the long term power of its with clarity chain. A strong credit rating remains key for keeping these business ties (Ross et al. 2019).

2.1.4.1 Factors Determining the Average Payment Period

A company's average payment period grows from several pressures and the most direct factor comes from the credit terms that suppliers offer. Because these terms include the credit period, any discount for with clarity payment and these terms create the main structure for the company payment plan. Company bargaining power also plays a main role because large companies with high purchase volumes can negotiate better and longer credit terms than small companies as stated by Zutter & Smart (2022). This gives these companies wider freedom for control payables and shaping cash flow.

Company liquidity position acts as another main factor that guides APP because a company with strong cash flow may pay with clarity to enjoy cash discounts which act as useful investment. A company with weak cash flow may extend its payment period, lose discounts or pay late penalties. The availability and the cost of short term financing such as bank overdrafts also guide this choice. Because a company will compare the lost discount with the interest cost of other funds (Van Horne & Wachowicz 2009).

Industry norms and the need to keep strong supplier ties also guide company payment rules. Some industries hold clear payment norms and companies that break these norms may face negative reactions. Companies that depend on a small number of key suppliers may choose to pay fast to protect long term ties even when delayed payment brings short term finance benefits. Pandey (2015) states that the choice of payment timing is planned and must include these wider commercial factors.

2.1.4.2 Influence of APP on Corporate Profitability

The average payment period can guide company profitability in several ways with some effects raising profit and some effects cutting profit. When a company extends APP it cuts the need for outside short term financing, this cuts interest cost and increases net profit. This use of free financing from suppliers stands as a main point in strong working capital management. A longer APP also helps shorten the cash conversion cycle, Mache and Omodero (2021) show

that a shorter cycle often connects with higher profitability among Nigerian consumer goods companies.

There is however a possible cost linked to extending APP and this cost appears when the company loses cash discounts for with clarity payment. Suppliers often offer discount terms such as 2 10 net 30. This means the company gets a two percent discount when it pays within ten days and pays full price when it pays within thirty days. The cost of missing these discounts can be large and sometimes it benefits the company to borrow from a bank to pay with clarity. So the company captures the discount. Ross et al. (2019) state that the company must compare these costs and benefits with care.

A very long APP may also harm supplier links and may bring late payment penalties. Suppliers that face late payment may refuse to extend credit later, may increase prices or may give priority to other customers. These actions can disrupt the company with clarity chain and harm operations. Loss of supplier goodwill may bring long term harm that becomes greater than the short term cash flow benefit from delaying payment. The best APP therefore keeps balance between the finance obtained from trade credit, and the planned need for a steady and cooperative supplier network (Gitman & Zutter 2015).

2.1.5 Current Ratio

The current ratio stands as one of the most used finance measures for judging company liquidity. It is found by dividing total current assets by total current liabilities so that the company's ability to meet short term debts within the year becomes clear. The main purpose of the current ratio is to give a basic picture of short term finance strength. Ross et al (2019) state that lenders and lenders use this measure often because it helps them judge the level of risk in giving short term credit to the company.

A current ratio of two to one was seen as a secure rule in the past because it showed that the company kept two units of current assets for each unit of current liability. This rule

does not fit all situations because the best ratio changes across industries and changes with the nature of each business. A high ratio may show strong liquidity although it may also show that the company does not use assets with clarity. A ratio below one to one may show that the company struggles to meet short term debts and this situation is called negative working capital (Zutter & Smart 2022).

Investors, finance analysts use the current ratio to judge company work power, finance stability. They compare the ratio with other companies in the same industry or with the company's own past ratios to see patterns. It is key to separate the current ratio from other liquidity measures such as the quick ratio which gives a stricter liquidity test because it removes inventory from the measure. Together these measures form a full view of short term ability to pay (Pandey 2015).

2.1.5.1 Components and Calculation

The current ratio calculation stays basic because the formula says Current Ratio equals Total Current Assets divided by Total Current Liabilities and the value depends on correct grouping of each item within the two parts. Current assets are assets expected to be sold, used, changed into cash within one year, the main items are cash, cash equivalents, marketable securities, accounts receivable and inventory. These items appear on the balance sheet in the order of their liquidity (Gitman & Zutter 2015).

Current liabilities are company debts, debts that must be paid within one year, this set includes accounts payable, short term loans, accrued expenses and the current part of long term debt. Correct grouping of current liabilities becomes key for right judgement of liquidity because an understated liability total creates a current ratio that seems stronger than reality. This gives a wrong picture of finance strength as warned by Van Horne & Wachowicz (2009).

The meaning of the current ratio needs setting because a high ratio does not always show strength. It may show that the company keeps too much cash or too much inventory

which creates low returns. A low ratio often shows liquidity trouble although in some areas such as retail where inventory moves fast a ratio below one may be common. It is also key to know that companies may use window dressing practices where figures are changed in short form to make the current ratio look stronger at the end of a reporting period (Ross et al 2019).

2.1.5.2 Current Ratio and Profitability

The connection between the current ratio, profitability grows from the basic balance between liquidity and return. A high current ratio shows strong liquidity and it often appears when the company keeps a large part of its total assets as current assets. These current assets such as cash, inventory often give very low returns or no returns. This means that a very high current ratio may cut profitability because company capital is not used in the most efficient value building way as stated by Ademola and Omolara (2023).

A low current ratio may be connected with higher profitability. Because it may show that the company has cut its investment in low return current assets and uses its resources in a stronger way to create profit. This reflects a bold working capital rule. A low current ratio also brings higher risk because a sudden event such as a fall in sales or a delay in customer payment may stop the company from meeting short term debts. This may lead to a liquidity crisis (Pandey 2015).

The main aim for the finance manager is to find the best current ratio that keeps balance between liquidity and profit. This best level changes across industries because a manufacturing company with a long production cycle needs a higher current ratio while a supermarket with a fast cash conversion cycle needs a lower level. The current ratio stands as a key sign of the company working capital rule. Because it shows whether the company follows a cautious rule that protects safety or a bold rule that backs higher return (Gitman & Zutter 2015).

2.1.6 Profitability

Profitability stands as the main measure of company finance success because it shows the ability of the company to create earnings in relation to its expenses and costs within a given period. Profitability differs from profit because profit gives a total figure while profitability gives a relative measure that often appears as a ratio or a percentage. Zutter and Smart (2022) state that a company may show profit although the company may still not be very profitable because the amount of profit may stay small when compared to the capital invested. Steady profitability remains key for long term survival, for growth, for attracting investors and for securing needed finance.

The idea of profit is checked at several levels on the income statement and each level gives a different view of business performance. Gross profit which equals sales revenue minus cost of goods sold shows the efficiency of company production activities. Operating profit found by subtracting operating expenses from gross profit shows the profit power of core business operations. Net profit which remains after all expenses including tax and interest are taken away from revenue shows the earnings available to shareholders (Pandey 2015).

The value of profitability goes beyond measuring finance results because profitability directs market valuation and guides planned choices. A company that stays profitable can reinvest in operations, back innovation, return value to shareholders through dividends and capital gains. Ross et al. (2019) state that profitability stands as the main aim of a commercial company, strong management of all business areas including working capital aims toward building and holding profitability.

2.1.6.1 Dimensions and Types of Profitability Ratios

Profitability is studied with several finance ratios, these ratios fall into two main groups which are margin ratios and return ratios. Margin ratios show the ability of the company to turn sales revenue into profit at different levels of the income statement. Key examples include

gross profit margin. This shows profit on each unit of sales before operating expenses and net profit margin which shows the percentage of each sales unit that remains after all costs are taken away. These ratios show the strength of the company pricing method and the company ability to control cost (Gitman & Zutter 2015).

Return ratios show the full strength of the company in creating returns from the capital placed within the business. The two main return ratios are Return on Assets ROA and Return on Equity ROE. ROA shows how well the company uses its full asset base to make profit and this shows the strength of asset management. ROE shows the return earned on shareholder capital and this shows how well the company uses owner funds. Van Horne and Wachowicz (2009) state that these ratios stand as key tools for judging full business performance.

Each profitability ratio gives a different view of company financial performance, the ratios provide stronger meaning when used together for trend study and for comparison with industry standards. Margin ratios show the work power of the company while return ratios show how well the company uses its investments to build value. Ross et al. (2019) state that full study of profitability must use both groups of ratios, that the drivers of finance results become clear, so that possible areas for improvement appear.

2.1.6.2 Factors Affecting Profitability in the Consumer Goods Sector

The profitability of companies in the Nigerian consumer goods sector rises from many inside and outside pressures that guide finance results. Within the company sales volume, pricing choices stand as main drivers because the power to hold strong sales and set suitable prices within a competitive market backs high margins. The careful control of cost of goods sold and other operating costs also becomes key. Ogunsola and Opeyemi (2022) state that companies with strong cost control remain better prepared to protect profitability in times of rising inflation.

The efficiency of asset use which covers both set and current assets also affects profitability. A company that creates high sales from a small asset base shows a stronger return on assets and this shows superior practical skill. Company market position, brand strength also guide profitability because strong brands get premium prices and hold loyal customers which leads to steady profit levels. Competitive pressure also matters because companies within a tight market face strong pressure on prices and margins (Zutter & Smart 2022).

Outside the company several whole economic conditions guide profitability for consumer goods companies in Nigeria. High inflation increases the cost of raw materials, lowers consumer buying power, changing exchange rates change the cost of imported inputs and the value of foreign earnings. Total consumer spending linked to economic strength also finds the area performance. The Federal Ministry of Finance Budget and National Planning (2023) states that these macroeconomic pressures create a difficult work room that needs careful planned management.

2.1.7 Return on Assets (ROA)

Return on Assets ROA stands as a key profitability ratio that shows the net income made by the total assets owned by a company. The ratio follows the formula $ROA = \frac{\text{Net Income}}{\text{Average Total Assets}}$. The figure appears as a percentage and it serves as a main sign of how well company management uses the asset base to build earnings. A higher ROA shows that the company uses its asset investment in a strong way to make profit which makes ROA a main measure of practical performance as stated by Gitman & Zutter (2015).

Reading the meaning of a company ROA needs setting. The ratio gives stronger meaning when judged against the ROA of other companies in the same industry and judged against the company's own ROA from earlier years. This is key because the expected ROA changes across industries since capital heavy industries often show lower ROA than industries

with lighter asset needs. Trend study shows whether business performance rises, falls with time, this offers a useful view for inside managers and outside analysts (Pandey 2015).

This research uses ROA as the main measure of profitability for several reasons. ROA gives a full view of management ability to create returns from the full resource base which includes both debt financing and equity financing. This makes ROA a suitable tool for judging the full work power of Unilever Nigeria Plc. Its asset focus also connects with directness to working capital management which centres on the efficient use of current assets (Ross et al 2019).

2.1.7.1 The DuPont System and ROA

The DuPont system of finance analysis gives a clear way to break the Return on Assets ratio into its two main parts which are the Net Profit Margin and the Total Asset Turnover ratio. The breakdown follows the formula $ROA = \text{Net Profit Margin} \times \text{Total Asset Turnover}$. This system adds value. Because it shows that company ROA grows from the connection between work efficiency. This appears through the profit margin and asset use efficiency which appears through the asset turnover as stated by Van Horne & Wachowicz (2009).

The Net Profit Margin found by Net Income divided by Sales shows how much profit the company makes for each sales unit. It stands as a sign of company pricing strength and company cost control. A higher net profit margin shows greater work power. The Total Asset Turnover ratio found by Sales divided by Total Assets shows how well the company uses its assets to create sales revenue. A higher turnover ratio shows that the company creates more sales from a set asset level (Zutter & Smart 2022).

Through the DuPont system managers and analysts see deeper meaning behind the pressures that guide company ROA. For example a company may show a low profit margin while still showing a strong ROA if the company shows high asset turnover which often

appears in retail and consumer goods companies. Another company may show low asset turnover while showing high profit margin. The DuPont system backs the discovery of strengths, weaknesses within business performance and gives a richer view than the single ROA value alone (Gitman & Zutter 2015).

2.1.7.3 Determinants and Limitations of ROA

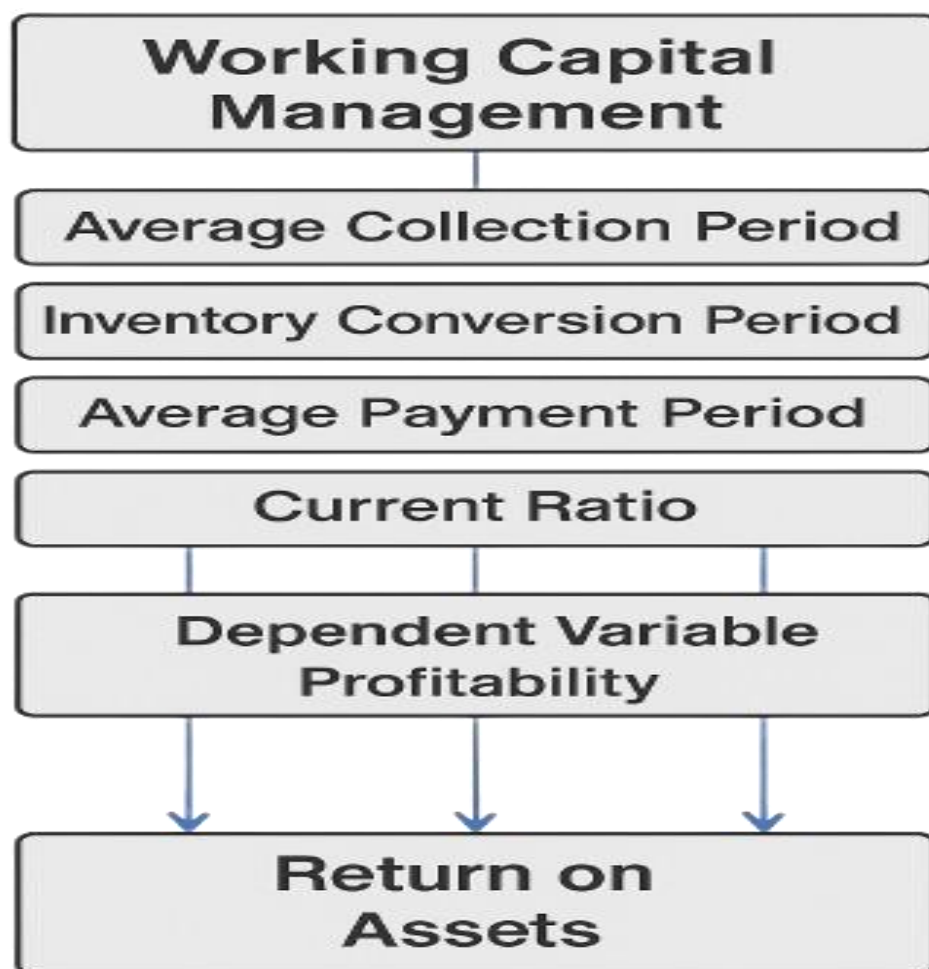
The Return on Assets grows from many factors shown in both the income statement and the balance sheet. Items in the income statement such as sales revenue, operating expenses and non operating expenses guide the net income used in the ratio. At the same time the size and form of the company asset base shown on the balance sheet play a main part. Company capital structure also affects ROA because a company with heavy debt carries higher interest costs which cut net income and cut ROA (Ross et al. 2019).

ROA stays useful although it has limits that must be stated. One main limit is its use of accounting values from the balance sheet which with clarity on historical cost and do not always show the true economic value of assets. This makes it difficult to compare the ROA of companies with older assets and companies with newer assets. ROA is also guided by different accounting choices such as depreciation methods and this makes comparison across companies more difficult (Pandey 2015).

ROA remains a strong, on a wide scale used measure of profitability despite these limits and it fits this research with clarity. Its wide scope which covers profitability and asset use efficiency matches the research aim of studying the effect of working capital management on full financial performance. With ROA the research gives a direct view of how Unilever management of current assets and current liabilities creates value from the full asset base.

Conceptual Review Diagram

An idea framework diagram with clarity represents the links between the key variables in the research.



Description of the Diagram:

The diagram shows the full idea framework for this research in a clear visual form. The boxes on the left show the independent variables which are the Average Collection Period, the Inventory Conversion Period, the Average Payment Period and the Current Ratio. These variables stand as the main measures of working capital management efficiency. The box on the right shows the dependent variable which is Return on Assets and this reflects the chosen measure of profitability. The arrows that move from each independent variable toward the

dependent variable show the proposed cause based connection that the research aims to test and understand.

2.2 Theoretical Review

This review studies four main theories that build a strong base for understanding the connection between working capital management and company profitability. The theories studied are the Trade Off Theory, the Pecking Order Theory, the Agency Theory and the Cash Conversion Cycle Theory. Each theory gives a different view of the finance choices that guide the company work conduct and planned behaviour. Together the theories give a company and clear idea base for this research. The discussion follows a structured study of each theory's origin, main ideas and its use in this research.

2.2.1 Trade-Off Theory

The Trade Off Theory stands as a main idea in company finance because it shows how companies decide the best level of working capital through the balance of opposing goals. The main idea of the theory shows an inverse connection between liquidity, profitability since a company lowers its risk of failure to pay by holding more current assets yet this choice cuts returns. Zutter and Smart (2022) state that this forms a classic risk return balance that managers must handle with care. The theory assumes that finance managers act with reason to build company value by finding the point where the extra gain of higher liquidity equals the extra loss of lower profitability. This forms the best working capital level.

The main idea of the theory remains on a wide scale, although its use has led to long discussion on what forms the best level of working capital. This level does not stay set because many company specific and economic factors change it. Enqvist et al (2014) found that the connection between working capital management and profitability shifts across business cycles which shows that the best balance point also shifts with economic changes. This has changed

the theory from a set search for one balance point to a moving view where working capital decisions remain a steady balancing act under a changing environment.

The Trade Off Theory fits this research well because it connects directness with the main research problem. The research of how Unilever Nigeria Plc handles its working capital to guide profitability becomes a real life test of this balance. Ademola and Omolara (2023) used this theory to guide their study of manufacturing companies which shows its practical value. With this theory the current study can read the finance data of Unilever, see whether its choices move toward liquidity, toward profitability and see the effect of these choices on performance. This gives a strong and clear base for explaining the findings.

2.2.2 Pecking Order Theory

The Pecking Order Theory first introduced by Myers (1984) states capital structure choices by setting a clear order of financing preferences. The theory states that managers who hold stronger information than outside investors choose to fund new investments first with inside funds made through retained earnings. When inside funds do not meet the need managers turn to debt as the next source. Issuing new equity stands as the final choice because the market sees new equity as a sign that the company stock may lose value. The theory assumes that managers, investors hold different levels of information and this imbalance guides the order of financing choices.

Although first linked with long term financing the theory has grown to cover working capital management. Its ideas show that companies follow the same order when funding working capital needs. A very profitable company that creates large inside cash flow can back its working capital needs without moving to outside debt. Some studies show changes in this pattern because many companies choose fast sources such as trade credit or bank overdrafts for short term needs instead of using inside reserves (Pandey 2015).

This theory backs the present study because it states how profitability guides working capital decisions instead of just showing the reverse direction. A company like Unilever with steady profit gains should show stronger freedom in its working capital choices according to this theory. Adesina et al (2015) used this theory to state financing choices in Nigerian companies which proves its use in this setting. The Pecking Order Theory allows this research to see the two way connection between profitability, working capital and strengthens the reading of Unilever finance plan.

2.2.3 Agency Theory

Agency Theory studies the problems that appear when one party called the agent acts for another party called the principal. In company settings this in the main describes the connection between the managers who act as agents and the shareholders who act as principals. The theory assumes that manager interests may not stay in full aligned with shareholder interests which creates conflict. Ross et al (2019) state that these agency problems can lead to choices that help managers while cutting shareholder wealth and that companies must accept agency costs such as monitoring costs to cut these problems.

Within working capital management agency problems can appear in many forms. A manager may choose to hold a very high level of cash and other current assets. This secure rule lowers the risk of financial trouble and protects the manager's job security although it cuts profitability which hurts shareholder aims. A manager may also choose a very bold working capital rule to push short term profit higher and increase performance rewards even when this choice exposes the company to high risk (Gitman & Zutter 2015).

Agency Theory gives value to this research because it shows that company governance plays a main part in shaping working capital choices. Working capital management becomes not just a finance task but also a sign of interest alignment within the company. Researchers such as Niskanen, Niskanen (2015) and Musa et al (2022) show that governance traits such as

board skill affect working capital efficiency. This theory gives a lens for studying how governance structures at Unilever may guide its working capital rule and guide its profitability.

2.2.4 Cash Conversion Cycle (CCC) Theory

The Cash Conversion Cycle CCC Theory gives a full structure for studying the efficiency of working capital management by showing the time needed for company cash to move through a complete cycle of operations. The cycle begins when cash pays for inventory and it ends when cash returns after the company sells the inventory. The main idea of the theory states that a shorter CCC keeps value because it shows that the company changes its operations into cash in a faster way. This short period cuts the time that capital stays locked within non useful assets, lowers financing costs and increases profitability (Zutter & Smart 2022).

The CCC structure grows from the connection between three main parts of working capital, these parts are the inventory conversion period, the average collection period and the average payment period. The theory has wide use and stands as a main measure in studies of working capital. The formula itself has not faced main changes although its use has grown with time. For example scholars now stress that the best CCC depends on the industry. They show that cutting the cycle too much may not give good results if it causes stock shortages or harm to supplier links (Van Horne & Wachowicz 2009).

This theory connects directly with the present study because three of the four independent variables in the research which are ACP ICP and APP form the core parts of the CCC. The theory gives a clear, sound system for reading how receivables inventory, payables guide company cash flow and working capital needs. Mache, Omodero (2021) and other researchers have used the CCC as the main tool for studying working capital in Nigerian companies. The theory therefore gives a direct, tested model for reading the data from Unilever Nigeria Plc and for judging its work efficiency.

2.3 Theoretical Framework

This research stands on the Trade Off Theory. This idea base fits the research in the strongest way. Because it captures the main tension within working capital management which is the need to hold enough liquidity for short term debts while still pushing for maximum profitability. The heart of this research is the examination of how Unilever Nigeria Plc moves through this trade off. With this theory the research gains a clear lens for studying company finance choices and their results. The theory allows the research to read a high investment in current assets shown by a high current ratio as a secure liquidity driven method. To read a low investment as a bold profit driven method. The Trade Off Theory therefore forms a suitable base for building the research questions, shaping the hypotheses, explaining the observed connection between Unilever working capital management and its full financial performance.

2.4 Empirical Review

This part reviews twenty five evidence based studies on working capital management, company profitability, with focus on consumer goods, manufacturing companies in Nigeria and related economies. The review is arranged in descending chronological order so that recent evidence appears first. It presents the authors, aims, method, findings and use of each study to the present research. In line with the supervisor correction, the review also includes studies with different research designs, analysis methods so that the evidence-based base is not limited to ex post facto studies alone.

Adetona et al. (2025) studied the effect of working capital management on profitability in Nigerian consumer goods companies. The main aim was to study how the cash conversion cycle and its parts relate with return on assets in selected companies. The scope covered ten listed consumer goods companies on the Nigerian Exchange Set over ten years from 2012 to 2021. The research adopted a correlational research design and used secondary data from checked finance statements. Profitability was measured by return on assets while the independent variables were accounts receivable period, inventory conversion period and

accounts payable period. The authors used descriptive statistics, correlation and panel regression to study the data. The results showed that working capital management had a meaningful positive effect on return on assets and that a shorter cash conversion cycle was associated with higher profitability. The research ended by stating that right best use of working capital parts is vital for improving profitability in Nigerian consumer goods companies, it advised strong rules for receivables and inventory management.

Shantilal et al.(2025) studied working capital management and profitability using evidence from Indian listed companies. The aim was to find how accounts receivable period, inventory holding period, accounts payable period and cash conversion cycle affect company profitability. The research used finance statement data of Indian listed companies from 2001 to 2024 and adopted a set panel data regression model. Return on assets was used as the main profitability measure while the working capital variables represented the explanatory variables. The findings showed that accounts receivable and inventory holding periods had negative effects on profitability, while longer accounts payable cycles improved company performance. The cash conversion cycle also had a meaningful negative effect on return on assets. The research ended by stating that efficient control of receivables, inventory, payables improves profitability, creates useful guidance for managers and finance analysts.

Amoghorro et al.(2024) studied the effect of working capital management on listed Nigerian manufacturing companies. The aim was to find how the control of receivables, inventory and payables guides financial performance. The scope covered twenty five listed manufacturing companies over ten years from 2012 to 2021. The research used the Trade Off Theory and an ex post facto design. The dependent variable was return on assets while the independent variables were receivables collection period, inventory conversion period and payables deferral period. Secondary data came from checked annual reports, the authors used descriptive statistics, correlation and set effect panel regression. The results showed that

receivables collection period, inventory conversion period had negative, meaningful effects on return on assets while payables deferral period had a positive but weak effect. The research ended by stating that strong control of working capital parts is a main driver of company performance.

Edomobi et al. (2024) studied working capital management plans of Nigerian manufacturing companies and their effects on company performance. The aim was to find the effect of account receivable management, account payable management, inventory management, cash conversion cycle and cash conversion efficiency on return on assets. The research selected nine manufacturing companies and covered a twenty year period from 2000 to 2020. It adopted a panel framework, used the Autoregressive Distributed Lag regression technique to estimate both long run and short run effects. The results showed that receivables, payables, inventory management, cash conversion cycle had varying long run and short run effects on return on assets. The research ended by stating that working capital plans with meaning affect performance, that managers should select rules according to the time horizon and the nature of each working capital part.

Ijuwo (2024) studied the effect of working capital management on the profitability of listed consumer goods companies in Nigeria. The research focused on ten listed consumer goods companies and covered the period from 2017 to 2022. Return on assets was used as the profitability measure while cash conversion cycle, inventory turnover, accounts receivable, accounts payable, company size and leverage were used as explanatory variables. The research adopted an ex post facto design, used panel data analysis with set, random effect regression together with model checks. The findings showed that the cash conversion cycle had a positive and meaningful link with return on assets while other working capital parts were not strong determinants of profitability. The research ended by stating that consumer goods companies need tailored working capital plans that reflect their industry setting.

Ahmad and Yee (2024) studied the effect of working capital management on the performance of Malaysian public listed companies. The aim was to provide evidence on the connection between working capital management, company performance during and after the Covid 19 period. The research used panel data from seventy eight consumer non cyclical companies listed on Bursa Malaysia between 2021 and 2023. Average collection period, inventory turnover, average payment period and cash conversion cycle were used as measures of working capital management while return on assets measured performance. The panel data analysis showed that the cash conversion cycle was meaningful and as negative as related to return on assets. The research ended by stating that companies with shorter cash conversion cycles tend to record better financial performance.

Patricia et al.(2024) judged the shaping role of working capital management on company performance of listed consumer goods companies in Nigeria. The research aimed to find how cash conversion cycle, accounts receivable turnover and inventory turnover affect return on assets. The authors used secondary finance data from listed consumer goods companies and applied Ordinary Least Squares regression analysis. The research found that planned management of working capital parts can enhance profitability by improving cash flow, maintaining best levels of receivables, inventory and cutting financing costs. The research ended by stating that working capital management remains key for finance stability and work efficiency in Nigerian consumer goods companies.

Ademola et al. (2023) carried out a study on the effect of working capital management on the profitability of listed manufacturing companies in Nigeria, Ghana and South Africa. The main aim was to find how main parts of working capital guide financial performance measured by return on assets. The research covered forty manufacturing companies across ten years from 2012 to 2021 and it used the Trade Off Theory as its base. The ex post facto design guided the research, the independent variables were average collection period, inventory conversion

period, average payment period while company size and leverage acted as control variables. The authors used secondary data from annual reports and applied panel regression. The main results showed that average collection period and inventory conversion period had strong negative connections with profitability while average payment period showed no main effect. The research ended by stating that efficient working capital management serves as a main driver of profitability in manufacturing companies.

Bakare et al. (2023) studied working capital management and companies profitability in growing markets using listed Nigerian consumer goods companies. The aim was to find how accounts payable and cash conversion cycle affect profitability in the consumer goods sector. The research covered the period 2011 to 2021 and used finance statements of sampled companies selected through purposive sampling. Unlike many related studies, the authors used the Generalized Method of Moments estimator to study the data. The findings showed that accounts payable had a positive, in test terms meaningful effect on return on equity while cash conversion cycle had a negative but weak effect. The research ended by stating that accounts payable can improve the likelihood of profitability and advised that government back production through better infrastructure.

Karim et al.(2023) studied the effect of the cash conversion cycle on financial performance of manufacturing companies in Bangladesh. The research covered sixty one manufacturing companies listed on the Dhaka Stock Exchange across ten manufacturing industries for the period 2003 to 2020. Return on assets and earnings per share were used as performance signs while cash conversion cycle was the main independent variable. The authors used the two step system Generalized Method of Moments regression model. The findings showed that the cash conversion cycle had a negative link with profitability, that cutting inventory conversion time, receivables collection period and delaying payments within

reasonable limits could improve performance. The research ended by stating that efficient cash cycle management backs company profitability.

Tahir et al. (2023) studied the role of working capital management in enhancing profitability of manufacturing companies in Pakistan. The research focused on manufacturing companies listed on the Pakistan Stock Exchange during the period 2018 to 2022. Return on assets, return on equity were used as profitability measures while accounts receivable turnover, inventory turnover and cash conversion cycle were used as working capital signs. The authors used the least squares regression model to judge the link. The results showed that inventory turnover, accounts receivable turnover had meaningful positive association with both return on assets and return on equity. The research ended by stating that faster receivables collection and efficient inventory movement can help companies improve profitability.

Musa et al. (2022) studied the moderating role of board expertise on the connection between working capital management, profitability in Nigerian food and beverage companies. The aim was to find whether the finance skill of the board guided the connection between working capital parts and company profitability. The scope covered ten listed food and beverage companies over eleven years from 2011 to 2021. The research used Agency Theory and adopted an ex post facto design. Profitability was measured by return on assets while average collection period, inventory conversion period were the independent variables and board expertise was the moderating variable. Secondary data came from annual reports and the authors used panel regression with moderation analysis. The results showed a strong negative connection between the working capital variables, profitability and also showed that board expertise had a positive moderating effect.

Ogunsola et al.(2022) studied the connection between working capital management and financial performance in the quoted consumer goods sector in Nigeria. The main aim was to find the effect of the cash conversion cycle, current ratio and debt to asset ratio on return on

equity. The research covered quoted consumer goods companies in Nigeria and used secondary data from published annual reports. The design was ex post facto, the data were studied using descriptive statistics, correlation and panel regression. The findings showed that the cash conversion cycle had a strong negative effect on financial performance, the current ratio had a weak positive connection and the debt to asset ratio had a strong negative effect. The research ended by stating that efficient working capital control in the main through a shorter cash conversion cycle forms a key base for strong financial performance.

Agustiyana (2022) studied working capital management and profitability of consumer goods manufacturing public companies in Indonesia. The aim was to test the cause based connection between working capital management and return on assets. The research covered thirty nine consumer goods companies listed on the Indonesian Stock Exchange from 2015 to 2019. The research used multiple regression and correlation analysis rather than a basic ex post facto description. Days sales of inventory, days sales outstanding, days payable outstanding and cash conversion cycle were used as working capital measures. The findings showed that extending days sales outstanding and days payable outstanding had a positive effect on return on assets. Whilst extending days sales of inventory and cash conversion cycle had an adverse effect on return on assets. The research ended by stating that consumer goods companies can improve profitability by managing inventory and the full cash cycle more with clarity.

Khadka et al. (2022) studied the effect of working capital management on profitability of non finance companies. The research used a descriptive, comparative cause based research approach, applied correlation and regression tests to fifteen observations from three non finance institutions selected through purposive sampling. Return on assets was the profitability measure while current ratio, cash conversion cycle, receivable conversion period and payable deferral period were used as working capital measures. The findings showed a strong positive correlation between current ratio, return on assets, while cash conversion cycle, receivable

conversion period and payable deferral period had no meaningful correlation. Regression results showed that current ratio, payable deferral period and cash conversion cycle were meaningful in the test predictors of return on assets. The research advised that managers keep a favourable current ratio while cutting the cash conversion cycle and optimising payment periods.

Mache et al. (2021) studied the connection between working capital management and profitability in selected Nigerian consumer goods manufacturing companies. The main aim was to find the effect of the cash conversion cycle, current ratio and quick ratio on return on assets. The scope covered five large consumer goods companies listed on the Nigerian Stock Exchange for ten years from 2011 to 2020. The research used the Trade Off Theory as the base and adopted an ex post facto design. Secondary data came from checked annual reports, finance statements, were studied with descriptive statistics, correlation and panel Ordinary Least Squares regression. The main result showed that cash conversion cycle had a negative, meaningful effect on return on assets while current ratio and quick ratio showed weak connections with profitability. The research ended by stating that shorter cash cycles drive profitability in Nigerian consumer goods companies.

Olabisi et al. (2021) studied whether working capital management affects profitability of Nigerian consumer goods manufacturing companies. The main aim was to find the effect of cash conversion cycle, receivables management and inventory management on return on assets. The scope covered listed consumer goods companies from 2009 to 2018. The research adopted an ex post facto design, using secondary data from annual reports and accounts. Profitability measured by return on assets was the dependent variable while accounts payable period, accounts receivable period, inventory turnover period and cash conversion cycle were the independent variables. The data were studied with descriptive statistics and inferential statistics including random effects generalized least squares. The findings showed that accounts

receivable period, inventory turnover period, cash conversion cycle had negative, meaningful links with return on assets while accounts payable period, sales growth had positive but weak links.

Obafemi (2021) checked working capital management and company financial performance of the consumer goods sector in Nigeria. The research found the effect of average collection period, cash conversion cycle and average payment period on return on assets. Panel data for five consumer goods companies covering 2013 to 2017 were collected, studied with descriptive statistics, correlation, set effect and random effect estimation techniques as well as post estimation tests. The findings showed that the average collection period had a negative, weak effect on profitability, the cash conversion cycle also had a negative, weak effect and the average payment period had a meaningful effect on profitability. The research advised cost reduction plans, right supervision of workers, monitoring of assets and training of employees.

Kaya et al.(2021) studied the connection between working capital and company performance in the Turkish manufacturing area. The aim was to find working capital efficiency levels and the effect of working capital efficiency on profitability. The research used clarity data for the period 2009 to 2018 and applied a heterogeneous panel data approach. Working capital efficiency and cash conversion cycle were the main explanatory measures. The findings showed that the working capital efficiency index had a positive effect on company profitability while the cash conversion cycle had no meaningful effect on company profitability. The research ended by stating that working capital efficiency matters for performance, although the effect of cash conversion cycle may differ across companies and economies.

Syahrani et al. (2021) studied the effect of working capital management in the manufacturing areas of Indonesia and Thailand. The aim was to find how the cash conversion cycle affects profitability and company value in selected manufacturing companies. The research used data from two hundred and sixteen companies covering the period 2008 to 2017.

Cash conversion cycle served as the measure of working capital efficiency while return on assets represented profitability and Tobin Q represented company value. The authors used panel data regression analysis with control variables such as leverage, company size, company age, growth opportunities and economic conditions. The findings showed a meaningful negative effect between cash conversion cycle and profitability in both countries. The research ended by stating that shorter cash cycles are in general associated with higher profitability in manufacturing companies.

Ahmed et al. (2020) studied the effect of working capital management on the financial performance of five Nigerian consumer goods companies. The main aim was to find the connection between cash conversion cycle, current ratio, debt ratio and return on capital employed. The scope covered the period from 2010 to 2019 and the design followed an ex post facto method. The authors used secondary data from annual reports, accounts, applied Ordinary Least Squares regression with descriptive statistics and correlation. The main results showed that the cash conversion cycle had a negative, meaningful connection with financial performance while the current ratio showed a positive but weak connection. The research ended by stating that the length of the cash conversion cycle is a key driver of financial performance, and advised shortening the cycle through faster receivables collection and better inventory control.

Ali et al. (2020) studied working capital management and companies profitability through changing panel data analysis of manufacturing companies. The research used static models such as Ordinary Least Squares, set effect, random effect as well as changing models including difference Generalized Method of Moments and system Generalized Method of Moments. The period covered was 2007 to 2018 and profitability was measured by return on assets. Inventory conversion period, receivable collection period, payable deferral period and cash conversion cycle were used as working capital measures. The system GMM results

showed that inventory conversion period, payable deferral period had positive links with return on assets, cash conversion cycle had a negative effect, receivable collection period was positive but weak. The research ended by stating that companies can create value by improving the cash conversion cycle, cutting receivables and inventory accounts.

Adhikari (2020) studied working capital management and company profitability in the Nepalese manufacturing area. The research aimed to find the effect of inventory conversion period, receivable conversion period, payable deferral period, cash conversion cycle, debt ratio and current ratio on profitability. Secondary data were collected from the annual reports of five manufacturing companies for eight years from 2010/2011 to 2017/2018. The research used Pearson correlation, Ordinary Least Squares regression and binary logistic regression. Profitability was measured with return on equity, return on assets and net income. The findings showed that inventory conversion period, payable deferral period and cash conversion cycle were with clarity related to profitability. Whilst receivable conversion period, debt ratio and current ratio were as positive related. The research ended by stating that right control of working capital parts is key for manufacturing company profitability.

Uguru et al. (2019) studied the connection between working capital management and performance in Nigerian consumer goods companies. The aim was to find the effect of receivables period, inventory period, cash conversion cycle and current ratio on return on assets. The scope covered ten consumer goods companies listed on the Nigerian Stock Exchange for five years from 2013 to 2017. The research used the Trade Off Theory as the base and adopted an ex post facto design. Secondary data came from published annual finance statements and the authors used a panel regression model. The results showed that receivables period, cash conversion cycle had strong negative effects on company performance while inventory period and current ratio had weak connections with return on assets. The research

ended by stating that strong receivables control guides performance in Nigerian consumer goods companies.

Akindele et al. (2015) studied the connection between working capital management and profitability in fifty listed Nigerian companies. The aim was to provide evidence on how the control of working capital parts guides company profitability in the Nigerian setting. The scope was cross sectional and covered several areas from 2008 to 2012. The research used an ex post facto method with profitability measured by net operating profit as the dependent variable. The independent variables were average collection period, inventory conversion period, average payment period and cash conversion cycle. The authors used secondary data from published annual finance statements and panel regression to study the data. The results showed that the cash conversion cycle had a negative link with profitability, that longer average collection period and inventory conversion period also cut profitability. The research ended by stating that working capital management with strength guides profitability.

2.5 Summary and Gap in Literature

The twenty five evidence based studies reviewed show that working capital management has a clear link with company profitability, in particular within the Nigerian consumer goods and manufacturing areas. A recurring finding across several studies is that shorter cash conversion cycle, shorter receivables collection period, efficient inventory management often back better profitability, although some studies reported weak or mixed effects for individual parts. This means that the effect of working capital management on profitability depends on the company, area, period covered and method of analysis.

The reviewed studies also show a wider method base. Some studies used ex post facto design and panel regression. Whilst others used correlational research design, set effect. Random effect regression, Generalized Method of Moments, Autoregressive Distributed Lag regression, Ordinary Least Squares regression, heterogeneous panel analysis, descriptive

comparative cause based design, panel data regression, Wilcoxon Signed Rank Test and idea based review approach. This mixture of methods strengthens the evidence based base of the present study and responds to the need to avoid relying just on one research design.

Despite the large volume of research in this area, a clear research gap still exists. Most previous studies focused on wide cross sectional, panel analyses of many companies and areas. This helps to identify general trends, and does not give enough attention to the special practical and planned behaviour of a single main company. Company specific factors such as credit rule, inventory structure, supplier link, management style and inside money control can affect how working capital management affects profitability. There is therefore limited company specific evidence on how working capital parts affect profitability in Unilever Nigeria Plc. This research addresses this gap by undertaking a focused over time examination of Unilever Nigeria Plc and by showing how its working capital decisions affect profitability over time.

Table Representation of Empirical Review

Author(s) & Year	Title	Objective(s)	Method(s)	Finding(s)/Conclusion
Adetona-Ibrahim et al. (2025)	Working Capital Management and Profitability of Consumer Goods	To examine the relationship between WCM components and ROA.	Correlational design; Panel regression analysis.	WCM has a significant positive effect on ROA. A shorter CCC is associated with

	Companies in Nigeria.			higher profitability.
Shantilal, Parmar & Dalmia (2025)	Working Capital Management and Profitability: Evidence from Indian Listed Firms.	To examine how WCM components influence profitability.	Fixed panel data regression model.	Receivables and inventory periods negatively affect profitability while longer payables improve performance. CCC negatively affects ROA.
Amoghor, Atube & Efanmijor (2024)	Working capital management and the performance of listed manufacturing firms in Nigeria.	To determine the effect of receivables, inventory and payables management on ROA.	Ex post facto design; Fixed effect panel regression.	ACP and ICP have a significant negative effect on ROA. The payables period had an insignificant effect.
Edomobi, Ebiringa &	Working Capital Management Strategies of	To examine the effect of WCM	Panel framework; ARDL	Receivables, payables, inventory and

Chris-Ejiogu (2024)	Nigerian Manufacturing Firms and the Effects on Corporate Performance.	strategies on ROA.	regression technique.	CCC strategies have different long run and short run effects on ROA.
Ijuwo (2024)	Effect of Working Capital Management on Profitability of Listed Consumer Good Companies in Nigeria.	To examine the effect of WCM on ROA of consumer goods firms.	Ex post facto design; Fixed and random effect panel regression.	CCC has a positive significant relationship with ROA while other components were not strong determinants.
Ahmad & Yee (2024)	The Effect of Working Capital Management on the Performance of Malaysian Public Listed Companies.	To examine the effect of WCM on ROA during and after Covid- 19.	Panel data analysis.	CCC is significantly and negatively related to firm performance.
Patricia et al. (2024)	Evaluating the Influence of Working Capital Management on	To evaluate the effect of CCC, receivables turnover and	Ordinary Least Squares regression.	Strategic management of receivables, inventory and

	Corporate Performance.	inventory turnover on ROA.		cash flow improves ROA and operational efficiency.
Ademola & Omolara (2023)	Working capital management and profitability of listed manufacturing companies in selected African countries.	To determine how working capital components influence financial performance (ROA).	Ex post facto design; Panel regression analysis.	ACP and ICP have a significant negative relationship with profitability. Efficient management is vital for performance.
Bakare et al. (2023)	Working Capital Management and Firms' Profitability in Emerging Markets: The Case of Nigeria Listed Consumer Goods Companies.	To examine the effect of accounts payable and CCC on profitability.	GMM estimator technique.	Accounts payable has a positive significant effect on profitability while CCC has a negative insignificant effect.

Karim, Al Mamun & Kamruzzaman (2023)	Cash Conversion Cycle and Financial Performance: Evidence from Manufacturing Firms of Bangladesh.	To examine the effect of CCC on financial performance.	Two step system GMM regression.	CCC has a negative relationship with profitability, especially ROA and EPS.
Tahir & Baloch (2023)	Role of Working Capital Management in Enhancing Firm Profitability.	To examine the role of WCM in profitability of Pakistani manufacturing firms.	Least squares regression model.	Inventory turnover and receivables turnover have significant positive association with ROA and ROE.
Musa, Success & Moses (2022)	The moderating role of board expertise on the effect of working capital management on profitability.	To determine if board expertise moderates the WCM-profitability relationship.	Ex post facto design; Panel regression with moderation.	Board expertise positively moderates the negative relationship between WCM and profitability.

Ogunsola & Opeyemi (2022)	Impact of working capital management on financial performance of quoted consumer goods sector in Nigeria.	To examine the effect of CCC and liquidity ratios on ROE.	Ex post facto design; Panel data regression.	CCC has a significant negative effect on ROE. The current ratio was insignificant.
Agustiyana (2022)	Working Capital Management and Profitability of Manufacturing Public Company in Indonesia.	To test the causal link between WCM and ROA.	Multiple regression and correlation analysis.	DSI and CCC have adverse effects on ROA while DSO and DPO improve ROA.
Khadka & Khadka (2022)	Impact of Working Capital Management on Profitability of Non-Financial Firms.	To examine WCM effect on ROA.	Descriptive and comparative causal research approach; Regression and correlation.	Current ratio, payable deferral period and CCC are significant predictors of ROA.
Mache & Omodero (2021)	Working capital management and firms' profitability: A	To ascertain the impact of CCC and liquidity ratios on ROA.	Ex post facto design; Panel OLS regression.	CCC has a significant negative impact on ROA.

	study of selected consumer goods manufacturing companies in Nigeria.			Liquidity ratios were insignificant.
Olabisi et al. (2021)	Does working capital management affect the profitability of consumer goods manufacturing firms in Nigeria?	To determine the impact of CCC, receivables and inventory management on ROA.	Ex post facto design; Panel data regression.	ICP and CCC have a significant negative relationship with ROA. Receivables were insignificant.
Obafemi (2021)	Working Capital Management and Corporate Financial Performance of the Consumer Goods Sector in Nigeria.	To assess the impact of ACP, CCC and APP on ROA.	Panel estimation; Fixed effect and random effect techniques.	ACP and CCC had negative insignificant effects while APP had significant effects on profitability.
Kaya, Konuk & Kaya (2021)	The Relationship Between Working Capital	To determine WCM efficiency levels and their	Heterogeneous panel data analysis.	Working capital efficiency index has a positive

	and Firm Performance: A Heterogeneous Panel Application.	effect on profitability.		impact on profitability while CCC has no effect.
Syaharani & Chalid (2021)	Working Capital Management Effect in Indonesia and Thailand Manufacturing Sector.	To examine the effect of CCC on ROA and firm value.	Panel data regression analysis.	CCC has a significant negative effect on profitability in both countries.
Ahmed, Suntai & Bakari (2020)	Working capital management and financial performance of selected consumer goods in Nigeria.	To assess the impact of CCC and liquidity ratios on return on capital employed.	Ex post facto design; OLS regression.	CCC has a significant negative relationship with financial performance. Recommended shortening the cycle.
Ali et al. (2020)	Working Capital Management and Firms' Profitability:	To examine WCM and ROA using static and dynamic models.	OLS, fixed effect, random effect, difference	CCC has a negative effect on ROA while ICP and PDP

	Dynamic Panel Data Analysis of Manufactured Firms.		GMM and system GMM.	show positive relationships.
Adhikari (2020)	Working Capital Management and Corporate Profitability: Empirical Evidence from the Nepalese Manufacturing Sector.	To examine the effect of WCM components on ROA, ROE and net income.	Pearson correlation, OLS regression and binary logistic regression.	ICP, PDP and CCC were inversely related to profitability while RCP, debt ratio and current ratio were positively related.
Uguru, Amujiri & Onyekwelu (2019)	Working capital management and performance of consumer goods companies in Nigeria.	To assess the impact of WCM components on ROA.	Ex post facto design; Panel data regression.	ACP and CCC have a significant negative impact on ROA. Inventory period and current ratio were insignificant.
Akindele & Odusina (2015)	Working capital management and firm	To explore the relationship between WCM	Ex post facto design; Panel data regression.	CCC, ACP and ICP have a significant

	profitability: Evidence from Nigerian quoted companies.	components and net operating profit.		negative relationship with profitability.
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CHAPTER THREE

METHODOLOGY

3.1 Research Design

This research used the Ex Post Facto Research Design. This design stands as the most fitting choice. Because the research aims to explore the cause. Effect connection between working capital management, profitability with the use of historical data where each variable has already taken guidance and cannot be changed by the researcher. The design remains suitable for the examination of the pressures that drive company performance through the research of past finance records so that the researcher can see the factors that guided the results. The design allows a steady, data based study of the existing connection between the independent variables and the dependent variable as both sets of variables have unfolded in a natural way across time.

3.2 Area of Study

The place based focus of this research stays within Nigeria which stands as a main economy within West Africa and keeps a business setting that shows strong movement along with company competition. The research stays centred on the consumer goods sector which remains a main part of the national Gross Domestic Product and stands as a key sign of consumer economic strength. This sector shows high volume sales along with strong competition which makes efficient finance management very key for company survival and company success. The research focused on the activities of Unilever Nigeria Plc which stands as a strong, long standing company within this sector and this gives a clear company setting for the investigation.

3.3 Sources of Data

This research used just secondary data. The researcher drew all required number based data from the checked annual reports along with the finance statements of Unilever Nigeria Plc

for ten years from 2014 to 2023. This period stays long enough to back a useful time series study of the connection between the variables. The main data sources were the Statement of Finance Position along with the Income Statement, all figures for the dependent and independent variables came from these records. The use of checked finance reports ensures that the data stays trusted and checkable.

3.4 Model Specification

The research adapted a model to study the effect between working capital management and the profitability of Unilever Nigeria Plc. The model specifies that profitability is a function of several key working capital management variables.

The mathematical representation of the model is expressed as follows:

$$ROA = f(ACP, ICP, APP, CR)$$

Where:

- ROA = Return on Assets
- ACP = Average Collection Period
- ICP = Inventory Conversion Period
- APP = Average Payment Period
- CR = Current Ratio

To help evidence based analysis, the model is stated in its econometric form as a multiple linear regression equation:

$$ROA_t = \beta_0 + \beta_1 ACP_t + \beta_2 ICP_t + \beta_3 APP_t + \beta_4 CR_t + \varepsilon_t$$

Where:

ROA_t is the Return on Assets in year t, representing profitability.

ACP_t is the Average Collection Period in year t.

ICP_t is the Inventory Conversion Period in year t.

APP_t is the Average Payment Period in year t.

CR_t is the Current Ratio in year t .

B_0 is the steady or intercept of the regression line.

B_1 , β_2 , β_3 , and β_4 are the regression coefficients of the independent variables, which measure the effect of each variable on ROA.

E_t is the random error term, which accounts for all other factors that affect ROA but are not included in the model.

3.5 Description of Variables

Return on Assets (ROA): This is the dependent variable, serving as the proxy for profitability. It measures the efficiency with which the company is using its assets to generate earnings. It is calculated as: Net Income after Tax / Total Assets.

Average Collection Period (ACP): An independent variable that measures the average number of days it takes to collect cash from credit sales. It is calculated as: (Accounts Receivable / Credit Sales), 365 days.

Inventory Conversion Period (ICP): An independent variable representing the average number of days it takes for the company to sell its inventory. It is calculated as: (Inventory / Cost of Goods Sold), 365 days.

Average Payment Period (APP): An independent variable that shows the average number of days the company takes to pay its suppliers. It is calculated as: (Accounts Payable / Cost of Goods Sold), 365 days.

Current Ratio (CR): An independent variable used as a measure of liquidity. It checks the company's ability to meet its short-term obligations. It is calculated as: Current Assets / Current Liabilities.

3.6 A priori Expectation

Before the test expectations for the connection between the independent variables, the dependent variables are based on shown finance theories and previous evidence based findings.

Variable	Coefficient	Expected Sign
Average Collection Period (ACP)	β_1	- (Negative)
Inventory Conversion Period (ICP)	β_2	- (Negative)
Average Payment Period (APP)	β_3	+ (Positive)
Current Ratio (CR)	β_4	- (Negative)

This table shows the expected connection between the independent variables and the dependent variable ROA based on ideas from finance theory. The Average Collection Period ACP and the Inventory Conversion Period ICP are expected to hold a negative connection with profitability. Because longer time for collecting receivables, longer time for holding inventory keep capital locked within assets that do not create income which increases financing costs and cuts profit power. The Average Payment Period APP is expected to show a positive connection with profitability. Because longer payment time gives the company free and natural financing which cuts the need for clarity outside funds. The Current Ratio CR is expected to show a negative connection with profitability. Because a very high ratio can show heavy investment in current assets that create low returns which harms the total profit power of the company.

3.7 Data Analysis Technique

This research will use a number based method that uses both descriptive statistics and inferential statistics for the analysis of the collected data.

Descriptive Statistics

Descriptive statistics which include the mean along with the usual deviation along with the minimum value along with the maximum value will help summarise the main features of the dataset. This gives a basic base for understanding each variable, shows how each variable behaves across the research period, that main tendency and spread appear with clarity.

Inferential Statistics

The main inferential tool will be Ordinary Least Squares OLS regression. This tool will estimate the model parameters shown in section 3.4, so that the research can test the research hypotheses and identify the statistical strength of each working capital management variable on profitability.

Diagnostic Tests

Several model checks will help confirm that the regression results stay valid, trusted and these tests will check that the rules of the classical linear regression model remain unbroken. The tests will include the following items.

Stationarity Test

An Augmented Dickey Fuller ADF test will check if the time series data remains stationary which is needed so that the regression does not create false results.

Serial Correlation Test

A Durbin Watson test will check for self correlation within the left overs of the regression model.

Heteroscedasticity Test

A Breusch Pagan Godfrey test will check for heteroscedasticity so that the left over variance stays steady.

Normality Test

A Jarque Bera test will check if the model left overs follow a normal distribution which stays key for sound statistical judgement.

3.8 Limitations of the Study

Data Limitations

This research findings rest on data drawn from the published annual reports of Unilever Nigeria Plc, this creates a boundary because the data though checked, trusted remains secondary and carries limits. The research power stays tied to number based analysis of finance figures, and does not show the quality based details or managerial thinking that guided those figures. Possible reporting patterns or the level of information provided within the dataset may also guide the depth of the analysis.

External Factors

The research works within a clear time frame from 2014 to 2023 and this period keeps strong economic instability in Nigeria. The model aims to show the connection between the chosen variables. Even, it cannot separate every sudden outside factor such as sudden rule based change, currency change or special whole economy events that took place in the period. The effect of these outside pressures which the model does not include may guide the connection between the variables and may guide the full meaning of the results.

Generalizability

This research uses a serious case study centered on Unilever Nigeria Plc which remains a large public multinational subsidiary and this creates a high level of setting specific nature. The conclusions may not fit the wider consumer goods sector with clarity smaller private, local companies that work under different finance pressures and different structures. For that reason the outside validity of the research results stays limited by the case study design.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Presentation of Data

Table 4.1 Annual Trends in Return on Assets, Average Collection Period, Inventory Conversion Period, Average Payment Period, Current Ratio from 2012 to 2024

Year	Return on Assets ROA (%)	Average Collection Period (days) ACP	Inventory Conversion Period (days) ICP	Average Payment Period (days) APP	Current Ratio CR
2012	16.52	37.66	59.91	85.82	0.93
2013	16.26	37.15	60.37	87.56	0.91
2014	6.34	39.13	64.79	89.08	0.90
2015	2.80	40.27	68.49	88.94	0.89
2016	6.18	28.34	63.09	79.83	0.94
2017	11.75	27.49	55.43	77.01	1.03
2018	12.86	37.76	67.28	82.49	1.28
2019	-9.01	38.70	82.34	83.25	1.22
2020	-5.18	28.48	66.12	73.54	1.26
2021	0.88	25.68	66.41	75.01	1.26
2022	4.17	22.40	65.17	67.72	1.35
2023	6.48	24.04	39.62	60.83	2.84
2024	10.69	22.99	43.64	65.34	2.29

Source: EViews output 2026

Table 4.1 presents the annual research data used for the study. The table covers the approved period of 2012 to 2024. ROA is the profit measure. ACP, ICP, APP, CR are the working capital management measures. The dataset gives a firm based view of Unilever Nigeria Plc. It also supports the ex post facto design stated in Chapter Three.

4.1.1 Descriptive Statistics

Table 4.2 Descriptive statistics result for time series data on ROA, ACP, ICP, APP, CR from 2012 to 2024

Variable	ROA	ACP	ICP	APP	CR
Mean	6.2108	31.5454	61.7431	78.1862	1.3154
Median	6.3400	28.4800	64.7900	79.8300	1.2200
Maximum	16.5200	40.2700	82.3400	89.0800	2.8400
Minimum	<i>-9.0100</i>	22.4000	39.6200	60.8300	0.8900
Std. Dev.	7.6809	6.9278	10.9028	9.2924	0.5902
Skewness	<i>-0.5519</i>	<i>-0.0097</i>	<i>-0.5737</i>	<i>-0.5658</i>	1.9731
Kurtosis	2.8860	1.0344	4.2697	2.2187	6.3922
Jarque Bera	0.6491	1.5944	0.6410	1.0167	8.2828
Probability	0.7228	0.4506	0.7258	0.6015	0.0159

Source: EViews output 2026

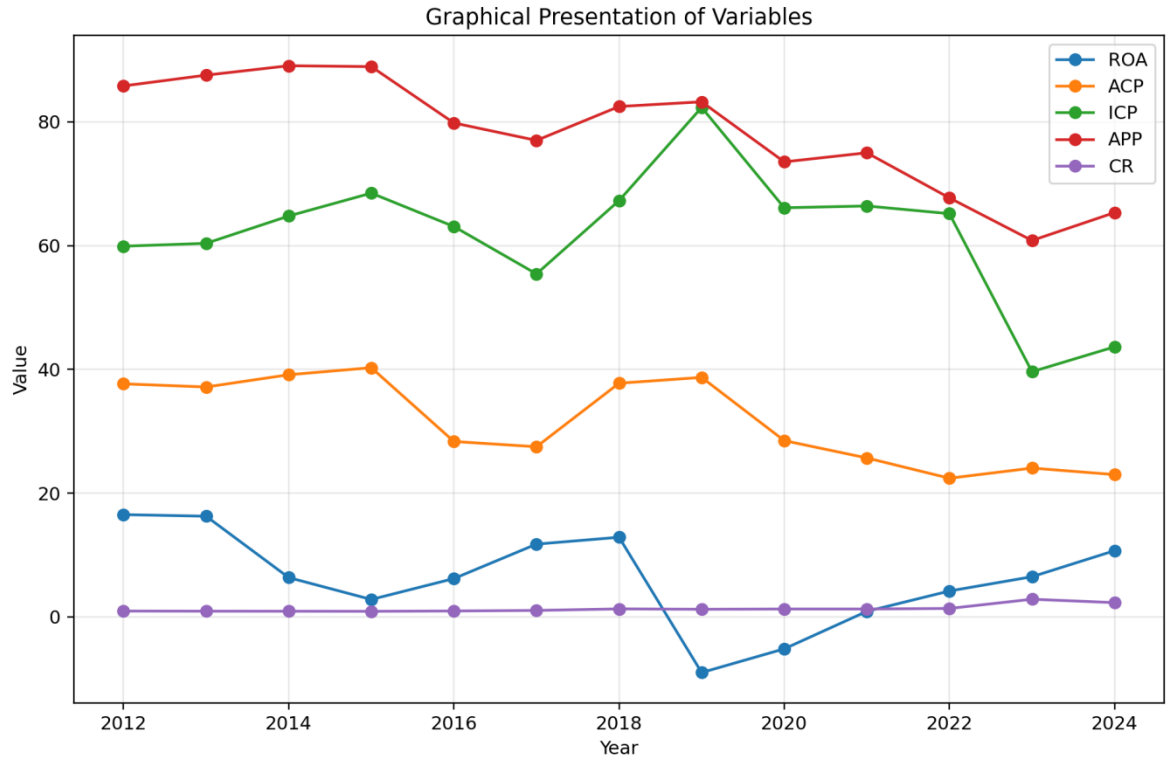
The descriptive statistics show the basic nature of the variables. Return on assets recorded a mean of 6.21 percent with SD = 7.68. This shows that profit moved on a wide scale across the years. The minimum value was negative. This means that Unilever Nigeria Plc recorded loss years within the period. The Jarque Bera result for ROA was not meaningful in the test with JB = 0.65, p = .723. This points to the fact that ROA was in normal terms distributed.

Average collection period had a mean of 31.55 days with SD = 6.93. The collection cycle ranged from 22.40 days to 40.27 days. The Jarque Bera result was not meaningful in the test with JB = 1.59, p = .451. This points to normality. Inventory conversion period had a mean of 61.74 days with SD = 10.90. Its Jarque Bera result was not meaningful in the test with JB = 0.64, p = .726. Average payment period had a mean of 78.19 days with SD = 9.29. Its Jarque Bera result was also not meaningful in the test with JB = 1.02, p = .602.

The current ratio had a mean of 1.32 with SD = 0.59. Its Jarque Bera result was meaningful in the test with JB = 8.28, p = .016. This shows that CR departed from normality. The pattern backs the need for model checks before final inference. It also backs the view of Gitman & Zutter 2015 that liquidity can move with profit trade offs. The results are therefore useful for judging the balance between liquidity safety, return strength.

4.1.2 Analyses of Data

Figure 4.1 Graphical analysis results for ROA, ACP, ICP, APP, CR from 2012 to 2024



Source: EViews output 2026

Return on assets shows an uneven path across the period. The series was high in 2012, 2013. It dropped in 2014, 2015. It recovered from 2016 to 2018. It fell below zero in 2019, 2020. It then moved upward from 2021 to 2024. This pattern points to that profitability was delicate to cost pressure, market pressure, inside efficiency. Ogunsola & Opeyemi 2022 stated that inflation, exchange pressure can weaken profit power in consumer goods companies. The trend gives back to that view.

Average collection period moved between a low level in later years, a higher level in the clarity years. It rose around 2014, 2015. It fell in 2016, 2017. It rose again around 2018, 2019. It later fell from 2021 to 2024. This shows that receivable control became tighter in the later period. The pattern fits the view of Pandey 2015 that the receivable rule guides cash flow. It also shows that a shorter collection cycle does not always translate into higher profit when other cost pressures are strong.

Inventory conversion period was high in many years. It reached its peak in 2019. It then fell with a sharp move in 2023, 2024. The high inventory days in 2019 occurred in the same wide period as weak ROA. This points to the cost of holding inventory. It backs the claim of Mache & Omodero 2021 that inventory control is the main source of profit power in Nigerian consumer goods companies.

Average payment period declined over the period. It was high in 2012 to 2015. It fell in the later years. This points to the fact that Unilever Nigeria Plc cut supplier payment delay. The trend can improve supplier trust. It can also cut the free trade credit benefit stated by Gitman & Zutter 2015. The current ratio remained low in the clarity years. It improved after 2018. It rose with a sharp move in 2023. This shows stronger liquidity. Yet higher liquidity did not remove the need for profit efficiency.

4.2 Correlation Matrix

Table 4.3 Pearson Correlation Coefficients

Variables	ROA	ACP	ICP	APP	CR
ROA	1.0000	0.0707	<i>-0.5332</i>	0.1303	<i>-0.0252</i>
ACP	0.0707	1.0000	0.5681	0.9151	<i>-0.6039</i>
ICP	<i>-0.5332</i>	0.5681	1.0000	0.6269	<i>-0.7186</i>
APP	0.1303	0.9151	0.6269	1.0000	<i>-0.8458</i>
CR	<i>-0.0252</i>	<i>-0.6039</i>	<i>-0.7186</i>	<i>-0.8458</i>	1.0000

Source: EViews output 2026

The Pearson correlation results show the first connection among the variables. ROA had a weak positive connection with ACP with $r = .071$. ROA had a moderate negative

connection with ICP with $r = .533$. ROA had a weak positive connection with APP with $r = .130$. ROA had a very weak negative connection with CR with $r = .025$. The strongest profit related correlation was between ROA, ICP. This with clarity results points to that inventory movement may be the most key working capital factor.

The correlation among the independent variables also needs attention. ACP was with strength linked with APP with $r = .915$. APP was with strength linked with CR with $r = .846$. ICP was linked with CR with $r = .719$. These values show shared movement among working capital signs. The pattern is not strange because ACP, ICP, APP are parts of the cash conversion cycle. Zutter & Smart 2022 stated that these parts work together within the operating cycle. The high correlation backs the need for VIF testing before final judgement.

4.3 Unit Root Test

Table 4.4 Unit Root test results for time series data on ROA, ACP, ICP, APP, CR from 2012 to 2024

Test Title	Null Hypothesis	Variable	ADF Statistic	Probability	Decision
Augmented Dickey Fuller	ROA has a unit root	ROA level	-2.23509 4	.1938	Do not reject null
Augmented Dickey Fuller	D(ROA) has a unit root	D(ROA)	-2.95740 4	.0391	Reject null, I(1)
Augmented Dickey Fuller	ACP has a unit root	ACP level	-1.30832 1	.6254	Do not reject null

Augmented Dickey Fuller	D(ACP) has a unit root	D(ACP)	-2.98346 5	.0365	Reject null, I(1)
Augmented Dickey Fuller	ICP has a unit root	ICP level	-1.49808 6	.5345	Do not reject null
Augmented Dickey Fuller	D(ICP) has a unit root	D(ICP)	-3.50159 0	.0079	Reject null, I(1)
Augmented Dickey Fuller	APP has a unit root	APP level	-0.60551 6	.8697	Do not reject null
Augmented Dickey Fuller	D(APP) has a unit root	D(APP)	-3.37897 8	.0117	Reject null, I(1)
Augmented Dickey Fuller	CR has a unit root	CR level	-0.94131 5	.7741	Do not reject null
Augmented Dickey Fuller	D(CR) has a unit root	D(CR)	-4.35077 5	.0004	Reject null, I(1)

Source: EViews output 2026

The Augmented Dickey Fuller test shows that none of the variables was stationary at level. ROA was not stationary at level with ADF = 2.24, p = .194. ACP was not stationary at level with ADF = 1.31, p = .625. ICP was not stationary at level with ADF = 1.50, p = .535. APP

was not stationary at level with ADF = 0.61, $p = .870$. CR was not stationary at level with ADF = 0.94, $p = .774$.

All variables became stationary after the first difference. ROA became stationary with ADF = 2.96, $p = .039$. ACP became stationary with ADF = 2.98, $p = .037$. ICP became stationary with ADF = 3.50, $p = .008$. APP became stationary with ADF = 3.38, $p = .012$. CR became stationary with ADF = 4.35, $p < .001$. This means that all series are integrated of order one. The result made a left over long run link test necessary before the level OLS result could be retained. This step follows the time series caution in Chapter Three.

4.4 Cointegration Test

Table 4.5 Engle Granger Residual Unit Root Test

Test	ADF Statistic	Probability	Selected Lag	Observation	Decision
Residual	-3.22041				
		.0013	3	9	Stationary
ADF none	4				residual

Source: EViews output 2026

The Engle Granger leftover test was used because all variables were integrated of order one. The left over ADF statistic was meaningful in the test with ADF = 3.22, $p = .001$. The null hypothesis of a unit root in the left over was rejected. This means that the leftover was stationary. The result confirms a long run connection among ROA, ACP, ICP, APP, CR. Therefore the level OLS model was retained. This is consistent with the OLS rule that level regression can be used when non-stationary variables are cointegrated.

4.5 Ordinary Least Squares Estimation

Table 4.6 OLS Regression Result

Variable	Coefficient	Std. Error	t Statistic	Probability
C	86.188833	83.936633	1.026832	.3345
ACP	0.728060	1.100312	0.661685	.5268
ICP	<i>-0.918428</i>	0.248862	<i>-3.690511</i>	.0061
APP	<i>-0.382025</i>	1.190695	<i>-0.320842</i>	.7566
CR	<i>-12.444540</i>	10.950691	<i>-1.136416</i>	.2887
R squared	0.705373			
Adjusted R squared	0.558059			
F statistic	4.788238			.0288
Durbin Watson stat	2.086802			

Source: EViews output 2026

The OLS regression result shows the effect of working capital management on profitability. The model was meaningful in the test with $F(4, 8) = 4.79$, $p = .029$. The R squared value was .71. This means that the model stated about 71 percent of the variation in ROA. The adjusted R squared value was .56. This shows that the model retained useful explanatory power after adjustment for the number of predictors.

ACP had a positive but not meaningful effect on ROA with $\beta = 0.73$, $t(8) = 0.66$, $p = .527$. ICP had a negative meaningful effect on ROA with $\beta = 0.92$, $t(8) = 3.69$, $p = .006$. APP

had a negative but not meaningful effect with $\beta = 0.38$, $t(8) = 0.32$, $p = .757$. CR had a negative but not meaningful effect with $\beta = 12.44$, $t(8) = 1.14$, $p = .289$. The strongest finding is the negative role of inventory conversion period. This backs the view that high inventory days can lock funds, cut return on assets.

4.6 Testing The Research Hypotheses

H01: Average collection period has no meaningful effect on return on assets of Unilever Nigeria Plc.

From the result, we do not reject H01 because $\beta = 0.73$, $t(8) = 0.66$, $p = .527$. This means that the average collection period did not have a meaningful effect on return on assets. The positive sign also differs from the expected negative sign. This points to the fact that receivable days did not cut profitability during the period.

H02: Inventory conversion period has no meaningful effect on return on assets of Unilever Nigeria Plc.

From the result, we reject H02 because $\beta = 0.92$, $t(8) = 3.69$, $p = .006$. This means that inventory conversion period had a negative meaningful effect on return on assets. A longer inventory period cut profitability. This is consistent with working capital theory.

H03: Average payment period has no meaningful effect on return on assets of Unilever Nigeria Plc.

From the result, we do not reject H03 because $\beta = 0.38$, $t(8) = 0.32$, $p = .757$. This means that the average payment period did not have a meaningful effect on return on assets. The negative sign points to that longer payment delay did not create a clear profit.

H04: Current ratio has no meaningful link with return on assets of Unilever Nigeria Plc.

From the result, we do not reject H04 because $\beta = 12.44$, $t(8) = 1.14$, $p = .289$. This means that the current ratio did not have a meaningful link with return on assets. The negative sign points to that higher liquidity did not translate into higher profitability.

4.7 Diagnosis Testing

Table 4.7 Diagnostic Tests for OLS Model

Test Type	Variable	Test Statistic	Probability	Obs squared	R Square	Chi Square	Decision
Breusch							
Godfrey							
Serial	Residuals	F = 0.043316	.8411	0.079948	.7774		No serial correlation
Correlation							
LM Test							
Breusch							
Pagan	Residuals	F = 1.179964	.3887	4.823807	.3059		Homosked asticity
Godfrey							
Test							
White Test	Residuals			13.000000	.3690		Homosked asticity
Jarque	Residuals	JB = 0.052729	.9740				Normal residuals
Bera							

Normality				
Test				
Ramsey RESET Test	Fitted values	F = 0.037632	= .8517	Correct functional form
				High
VIF	ACP	26.743674		shared movement
VIF	ICP	3.388320		Acceptable High
VIF	APP	56.344850		shared movement
				High
VIF	CR	19.228578		shared movement

Source: EViews output 2026

The Breusch Godfrey test shows no serial correlation. The result was not meaningful in the test with $F = 0.04$, $p = .841$, Obs R squared = 0.08, $p = .777$. This means that the left overs were not linked with their past values. The Breusch Pagan Godfrey test also passed. It was not meaningful in the test with $F = 1.18$, $p = .389$, Obs R squared = 4.82, $p = .306$. The White test also showed no uneven variance with Obs R squared = 13.00, $p = .369$. These results show steady left over variance.

The Jarque Bera leftover test showed normality with $JB = 0.05$, $p = .974$. The Ramsey RESET test was not meaningful in the test with $F = 0.04$, $p = .852$. This backs the functional form of the model. The VIF result showed high shared movement for ACP, APP, CR. This

issue is expected because working capital parts move within the same operating cycle. It does not remove the significance of ICP. It means that the non meaningful coefficients should be interpreted with care. The post estimation results therefore back the use of the OLS model for inference.

4.8 Discussion of Findings

Research Question 1: What is the effect of average collection period on return on assets of Unilever Nigeria Plc?

The research found that the average collection period had no meaningful effect on return on assets. This means that the number of days used to collect trade receivables did not state the profit changes of Unilever Nigeria Plc in a strong way. The sign was positive. This was not the expected direction. The usual finance view is that a long collection period ties money in receivables, increasing finance cost. Pandey 2015, Gitman & Zutter 2015 back this view. Yet the present result shows that this connection was weak in this company.

This finding can be read in two ways. First, Unilever Nigeria Plc may have used credit sales to protect customer demand. A longer collection period can back sales when customers need more time to pay. In such a case receivable days may not harm profit if sales volume is protected. Second, the company may have strong credit control. This can cut bad debt pressure even when collection days rise. The weak result therefore points to that receivable rule alone was not the main profit channel.

The finding differs from Akindele & Odusina 2015, Amoghor et al. 2024, Ademola & Omolara 2023. These studies reported that longer collection periods cut profitability. The difference may come from the company specific nature of this research. Most past studies used many companies. This research used one company. Company level credit rule, brand strength, customer base can change the connection between receivables, profit. The result therefore adds company based evidence to the working capital debate.

Research Question 2: What is the effect of inventory conversion period on return on assets of Unilever Nigeria Plc?

The research found that inventory conversion period had a negative meaningful effect on return on assets. This is the clearest result in the research. It means that a longer inventory cycle cuts profitability. This result fits the expected sign. It also backs the cash conversion cycle view of Zutter & Smart 2022. When inventory stays long before sale, money remains locked in stock. Storage cost can rise. Obsolescence risk can rise. The company may then record lower return from its asset base.

This finding is key for a consumer goods company. Unilever Nigeria Plc works in an area where stock movement is mainly for sales. Slow inventory conversion can signal weak demand, weak stock planning, cost pressure. The negative effect also fits the Trade Off Theory. Holding inventory protects with clarity and safety. Yet excess stock cuts return. The result shows that the cost side of inventory was stronger than the safety side during the research period.

The result agrees with Mache & Omodero 2021, Olabisi et al. 2021, Uguru et al. 2019. These studies found that weak inventory or long cash cycles cut profitability in Nigerian consumer goods companies. It also agrees with Ross et al. 2019 who stated that assets must be used well to create profit. The present finding confirms that inventory control is not just a practical task. It is a profit plan. For Unilever Nigeria Plc, inventory speed appears to be the strongest route to better ROA.

Research Question 3: What is the shaping role of average payment period on return on assets of Unilever Nigeria Plc?

The research found that the average payment period had no meaningful effect on return on assets. The sign was negative. This differs from the before the test expectation. The expected view is that a longer payment period gives free supplier finance. Gitman & Zutter 2015 stated that trade credit can back short term funding. Yet the result shows that supplier payment delay did not create a meaningful profit for Unilever Nigeria Plc.

This result may mean that supplier credit benefits were offset by hidden costs. Long payment periods can weaken supplier trust. They can also cut access to cash discounts. Ross et al. 2019 stated that lost discounts can come with clarity. In a consumer goods company, supplier link matters because production depends on steady input flow. If delayed payment affects terms or prices, then the trade credit benefit can disappear.

The finding is close to Amoghor et al. 2024, Ademola & Omolara 2023. These studies found weak or weak effects for payables. It also differs from studies where longer payable periods improved profit. The difference shows that payment rules must be read with company settings. A longer APP is not always good. The best rule is one that protects cash flow without harming supplier terms. This result backs a balanced working capital rule rather than a bold delay rule.

Research Question 4: What is the connection between current ratio, return on assets of Unilever Nigeria Plc?

The research found that the current ratio had no meaningful link with return on assets. The sign was negative. This means that higher liquidity did not improve profitability. This result fits the Trade Off Theory. A company can hold more current assets for safety. Yet too much liquidity can cut profit because current assets often create low returns. Gitman & Zutter 2015, Pandey 2015 back this view.

The trend showed that the current ratio improved in the later years. This can strengthen short term ability to pay. Yet the regression result shows that liquidity strength alone

did not state profit changes. Profitability depends on how current assets are used. Cash, inventory, receivables must back sales, margin. If current assets rise without strong turnover, ROA may not improve. This states the negative sign.

The finding aligns with Mache & Omodero 2021, Ahmed et al. 2020 where liquidity ratios showed weak connections with profitability. It also relates to Ademola & Omolara 2023 who stated that high liquidity can signal over investment in current assets. The result shows that Unilever Nigeria Plc should not target liquidity for its own sake. The company should target the best liquidity. This means enough current assets for safety, not too much current assets that weaken return.

CHAPTER FIVE

SUMMARY, CONCLUSION, RECOMMENDATION

5.1 Summary of Findings

This research studied the effect of working capital management on the profitability of Unilever Nigeria Plc. The findings based on the research questions are summarised below:

1. The average collection period did not have a clear effect on profitability.
2. Inventory conversion period had a clear negative effect on profitability.
3. The average payment period did not have a clear effect on profitability.
4. The current ratio did not have a clear link with profitability.

5.2 Conclusion

The research ends by stating that working capital management matters for profitability in Unilever Nigeria Plc. The most key area is inventory control. The finding backs the Trade Off Theory because the company must balance liquidity safety with profit power. The research also shows that receivable rules, supplier payment rules, and liquidity levels do not work alone. Their value depends on how they back sales, cost control, asset use.

The conclusion is that Unilever Nigeria Plc should treat working capital as a profit system. Inventory speed should receive the strongest attention. Liquidity should be kept at a sound level. Receivable collection should protect cash flow without hurting sales. Supplier payment should protect cash while keeping supplier trust. These actions can improve finance health in the consumer goods sector.

5.3 Recommendations

1. Unilever Nigeria Plc should improve receivable control through clear customer credit checks, regular payment follow up, fair credit terms that protect sales while improving cash flow.

2. Unilever Nigeria Plc should strengthen inventory planning through demand forecasting, stock level review, faster stock movement so that funds are not locked in slow moving goods.

3. Unilever Nigeria Plc should handle supplier payment with a balanced rule that uses trade credit without damaging supplier trust, without losing useful clarity of payment benefits.

4. Unilever Nigeria Plc should keep the best current ratio by holding enough current assets for safety while avoiding excess funds in low return current assets.

5.4 Contributions to Knowledge

- The research adds company based evidence on the connection between working capital management, profitability in a main Nigerian consumer goods company.

- The research shows that inventory conversion period is the strongest working capital channel for profitability in Unilever Nigeria Plc.

- The research backs the Trade Off Theory by showing that liquidity safety does not always improve profit power.

- The research adds evidence that business level analysis can give insights that wide panel studies may hide.

5.5 Areas for Further Studies

1. Future studies should study more consumer goods companies so that company based results can be compared with area level results.

2. Future studies should include macroeconomic variables such as inflation, exchange rate so that outside pressure can be separated from working capital effects.

3. Future studies should use clarity data where available because with clarity data can show short term working capital changes more with clarity.

4. Future studies should compare Unilever Nigeria Plc with another listed consumer goods company to show differences in working capital rule.

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