

## **THE EFFECTS OF TRADE RECEIVABLES AND PAYABLES MANAGEMENT ON THE LIQUIDITY OF AGRO ALLIED FIRMS IN OYO STATE, NIGERIA**

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### **ABSTRACT:**

This study examined the effect of trade receivables and payables management on the solvency of agro allied firms in Oyo State. The aims were to: examine the effects of trade receivables and payables management on the liquidity of agro allied firms; and analyse the influence of trade receivables and payables management on the profitability of agro allied firms in Oyo State. The study utilized survey research design. Primary data were used and instrument used for primary data collection was questionnaire. Accidental sampling method was employed to select 50 agro-allied firms using their account personnel as the respondents of the study. Inferential statistics Ordinary Least Square Regression were used to test the relationship between independent (receivables and payables management) and dependent (agro-allied firms' solvency) variables. Pearson Product Moment Correlation was adopted to analyse the relationship between receivables and payables management and solvency of agro-allied firms. The findings further showed that trade receivables and payables management had significant effects on solvency of agro allied firms in Oyo State; and significant relationship existed between them ( $F\text{-cal.} = 98.76$  greater than  $F\text{-tab.} = 2.641$  and  $r = 0.7629$  greater than 0.5 at 0.05 level of significant). The study also revealed significant effects of receivables and payables management on liquidity of agro-allied firms in Oyo State; and significant relationship existed between them ( $F\text{-cal.} = 70.16$  greater than  $F\text{-tab.} = 2.641$  and  $r = 0.7466$  greater than 0.5 at 0.05 level of significant). The finding further revealed that management of receivables and payables had significant effects on profitability of agro allied firms in Oyo State; and significant relationship existed between them ( $F\text{-cal.} = 103.8$  greater than  $F\text{-tab.} = 2.641$  and  $r = 0.77.61$  greater than 0.5 at 0.05 level of significant). The study concluded that trade receivables and payables management had positive and significant effects on the solvency of agro allied firms in Oyo State. Proper trade receivables and payables management stabilised liquidity and enhanced profitability of agro-allied firms and enable the firms to offset their long term obligations and enjoy continuity. The study recommends that agro-allied firms should reduce payables and increase receivables by shorten the maturities of revenue invoices and increase the maturities of cost invoices.

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### **Keywords:**

Receivables; Payables; Liquidity-Profitability; Agro allied; Trade off Theory;

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## INTRODUCTION

Effective management of working capital has taken on paramount importance in any business organisation (Otekunrin, et al., 2021). The reason hinges on the fact that working capital deals with daily routine activities of the business which eventually guarantee business financial healthiness in term of adequate liquidity and solvency (Dhiyat et al., 2021). Businesses that cannot manage their working capital effectively risk liquidation and ultimate extinction. Management of working capital is the total management of current assets and current liabilities of an organisation therefore; optimal working capital is of utmost essential because there must be a tradeoff between the two. Excess current assets means cash are tied down unutilized while excess current liabilities means overtrading which may eventually lead to insolvency (Otekunrin et al, 2021).

The composition of working capital of a business organisation as said earlier includes current assets (inventory/stock, receivables/debtors, prepayment, cash at bank, cash in hand etc.) and current liabilities (payables, overdraft, accruals etc.) Huda (2015). The situations that mostly strengthen working capital are when the stock is sold and good policies are in places to collect the money from the debtors or customers which are termed as receivables. On the other hand, the situation that mostly deplete working capital is when stock are procured from the suppliers and a day or week or month's grace is given to pay up which is also termed as payables. In this case, receivables contribute to working capital however; payables drain it hence effective management of both debtors and creditors should be given topmost priority. Money on sales must be adequately collected meaning that the cases of bad debts should be minimised in order to make fund available for procurement of inventories at the right time for resale to generate income and the business should not overbuy. If, however, business is not liquid enough to pay for inventories as a result of its inability to collect trade receivables or buying in excess which is termed as overtrading, the consequence is no profit and the business tends toward insolvency and liquidation.

Solvency therefore connotes a situation where ratio of total liabilities is less than ratio of total assets and these assets are easily convertible to meet short term and long term obligations. As a result, liquidity leads to solvency. A business that is not liquid tends towards insolvency and liquidation.

Agro-allied industries depends on agriculture for raw materials to produce finished items that are helpful to animals and people (Eze, Eze, et al., 2024). In consideration of contribution of Agro-allied industries to the economic growth of Oyo State in particular and Nigeria in general in term

of social welfare, effective management of working capital, takes on paramount importance for sustaining the Agro-allied industries' influential stance within the economy. Skilful management of these current assets and liabilities necessitates achieving liquidity in ensuring that agro business consistently meets its short term debts when they fall due which would translate to solvency on the long run. In this case, premium must attach to receivables and payables as components of working capital because the former is income realised but not yet cashed while the latter is expenditure incurred not yet paid. According to Eze et al (2024), finance managers frequently establish ratios or thresholds between current assets and liabilities to ensure that the organization consistently fulfils its obligations while simultaneously capitalizing on available assets. Noteworthy ratios employed for this purpose include liquidity ratio, solvency ratio, receivables days and payables days.

Agro allied firms in Oyo State are characterized in the forms of small and medium size enterprises and most of them in rural area are small businesses (Babatunde et al., 2022). They usually engaged in cassava processing, cashew nuts processing, poultry farms and hatcheries, fertilizers manufacture and sales, and other agro allied services. This study intends to examine the impact of receivables and payables management on the solvency of agro allied firms in Oyo State.

### **Statement of the Problem**

Every business organization required adequate liquid resources to maintain the flow of cash daily because even a profitable company may go under serious hardship without enough flow of cash to meet its liabilities (Adeniyi, 2008 as cited in Jonah et al, 2022). Trade receivables and payables management are important in determining the profitability, liquidity and in the long run solvency of any business enterprise agro allied firms inclusive. Most agro allied organizations rely mainly on trade credit (both debtors and creditors), short-term bank loan and owner financing to finance their operations. If an organization does not plan to make profit, it is difficult for that organization to survive for a long period; likewise an enterprise that does not plan to take care of liquidity may face the problem of solvency and bankruptcy (Jonah et al, 2022). Stem from that fact, effective management of receivables and payables in term of designing and implementing good policies for collection and payment of monies on trade credits to improve operating performance and to ultimately improve profit, liquidity and solvency of agro allied firms is a must and cannot be over emphasised in order to ensure and improve upon their contribution towards economic growth of Oyo and Nigeria.

It is evident from literature review that few studies had been carried out in Nigeria in respect of receivables and payables management, but to the best our knowledge, no significant work had been done in respect of agro allied firm in Oyo State, Nigeria. Hence there exist knowledge gap that need to be filled. It is based on this note that the research work would be carried out on trade receivables and payables management and their impacts on solvency of agro allied in Oyo State, Nigeria.

### **Study Objectives**

The objectives of the study are to examine the impacts of trade receivables and payables management on the solvency of agro allied firms in Oyo State. To examine the effects of trade receivables and payables management on the solvency of agro allied firms in Oyo State; and analyse the influence of trade receivables and payables management on the profitability of agro allied firms in Oyo State.

### **Literature review**

#### **Trade receivable**

Wild et al, (2005) as cited in Dan Patrick (2020) view accounts receivable as customers who have not yet made payment for goods or services, which the firm has provided. While Yap, Chan, & Zainudin (2017), defined accounts receivable, which is also called trade debtors, as the amounts owing to a business from customers for invoiced amounts. Accounts receivable are classed as current assets on the statement of financial position but distinguished from prepayments and other non-trade debtors. The objective of debtors (receivables) management is to minimize the time-lapse between completion of sales and receipt of payments (Niresh, 2012 as cited in Dan Patrick, 2020). Profits may be called real profits after the receivables are turned into cash. Simon et al., 2017 posited that the management of accounts receivable is largely influenced by the credit policy and collection procedure. He maintained that a credit policy specifies requirements to value the worthiness of customers and a collection procedure provides guidelines to collect unpaid invoices that will reduce delays in outstanding receivables. The number of days trade receivable is used as a proxy for the collection policy. Trade receivables days are calculated as:

*Trade receivables divided by Sales multiplied by 365.*

The above formula represents the average number of days that the firm takes to collect payments from its customers. The shorter the trade receivables days, the better the quality of debtors, since a short trade receivables days implies prompt payments by debtors. The trade receivables days

should be compared against the firm's credit terms and policy to ascertain its credit and collection efficiency (Priya, & Nimalathasan, 2013 as cited in Dan Patrick, 2020).

### **Account Payables**

According to Mbroh and Attom (2012), accounts payable are a major source of short-term financing for businesses provided that they delay payment as long as possible without damaging their credit rating or pay on the last day when payment is due to take advantage of cash discounts. Simply put, settling payables on the last day of payment enables businesses to re-invest the funds that would have been paid to suppliers into the business, thereby securing an interest-free source of finance, provided cash discounts are not forfeited. As far as supplier relationships are concerned, effective accounts payable management practices aid businesses in building trust with their suppliers (DBIS, 2013). Strong relationships are vital as suppliers are not only likely to extend better credit terms to a firm they trust; they may also share ideas for new methods, products and customer service.

Managing accounts payable effectively ensures that appropriate controls are in place to avoid errors such as duplicate payment, vendor fraud such as paying for goods not supplied, inefficient processes, late payment, all which do not only damage a firm's reputation, but undermine its viability (Rico, 2014). Having appropriate controls of accounts payable also assist a firm in detecting fraudulent or inaccurate invoices, and ensuring that all vendor invoices are accounted for (Deloitte, 2015). These ultimately ensure that the end year financial statements are complete and accurate.

Effective management of receivables and payables in companies is extremely important in every entity, as they are also linked to financial indicators such as liquidity, solvency, and indebtedness. A high level of receivables can cause an entity to become secondary insolvency, which can lead to an increase in liabilities and ultimately the inability to repay them. Each entity should monitor, in addition to liquidity, the ratio of own funds to liabilities. If foreign resources exceed own funds, it means a high indebtedness for the entity, which is an undesirable situation for the company as well as for the company's surroundings. The aim of companies should be to manage receivables and payables and achieve their declining state.

### **Empirical Review**

Kakeeto et al., 2016 investigated accounts receivable management and organizational profitability in Uganda. The descriptive research design was used for the study. The study used primary data

collected from 181 sample size out of a total population of 345 staff Gumutindo coffee corporative enterprise. The profitability and non-profitability sampling techniques was adopted. Stratified random sampling was adopted in selecting 181 top management units of the organization. The collected data were analysed using descriptive statistics correlation and regression. The finding showed that trade receivable has a positive significant relationship on organizational profitability with a Pearson correlation co-efficient of 0.309, the study recommended improvement in trade receivable management by offering cash discount to customers to encourage prompt payment.

Dirya et al., 2017 investigated effects of receivables management on profitability in India. The referent of receivable management used was debtor turnover ratio and the profitability proxies used was return on capital employed. The methodology adopted in the study was descriptive research design. Secondary sources of data used for the study was obtained from six commercial vehicles industry in India for a period of 2009 to 2016. The method of data analysis used was descriptive statistics, multiple regression and correlation analysis. The result showed that debtor turnover ratio has positive significant relationship with return on capital employed. This means that increase in debtor turnover ratio positively influence return on capital employed. It was concluded that increase in receivable management will increase firm profitability it was recommended that firm should focus on how to manage their receivable efficiently through better credit policy and collection effort especially in commercial vehicle industry.

.Dirie and Ayuma (2018), Conducted a study on the effect of accounts receivables management on financial performance in small and medium firms in Mogadishu-Somalia. The theories used to back up the study were transaction cost economics theory and agency theory. The methodology adopted in the study was the survey research design. Primary data was used and probability and non-probability sampling procedure were used to select 81 (eighty-one) SMEs for the study. The instrument for data collection was questionnaire. The collected data were analysed using statistical tools such as, Pearson Correlation and Correlation coefficient alongside with descriptive statistics. The study revealed debt management, credit policy management and inventory management were found to have significant positive correlations on financial performance. The study concluded that trade receivable management effect of financial performance of SMEs. It was recommended that

management of SMEs should initiate a sound strategy towards credit policy management so as to avert the problem of mismatching investment and also the quality of credit should be enhanced.

Paul (2018), Investigated effects of receivables management practices on financial performance in Kenya. The dimension of the independent variable used for the study was account receivable period whereas the referent for the dependent variable used was operating profit margin. The study was anchored on stakeholder as well as agency theory. The primary sources of data used was collected from the study ensured of all the 43 (forty-three) private TVET institution in Eldoret town through structure questionnaire. The research design adopted in the study was explanatory research design. The collected data were analysed using descriptive as well as inferential statistics. The finding revealed that trade receivable period significantly correlate with operating profit margin. The study concluded that effective receivable management practice influence financial performance of private TVET institution in Eldoret town. It was recommended that the institution should continue to pursue a sound credit policy that will ensure optimization in receivables management thereby impacting on financial performance.

Yakubu and Gbenga(2019), investigated accounts receivable management and financial performance of selected quoted firm in Nigeria. The referent of account receivable management variables used includes account receivables ratio, debt ratio and revenue growth whereas the dimension of financial performances variables used was return on assets. The methodology adopted in the study was correlational research design. Secondary data collected from ten (10) listed companies in Nigerian Stock Exchange using purposive sampling technique from 2012 to 2018. The analyses of collected data were done using ordinary least square regression, Pearson correlation and t-test. The finding revealed that account receivables debt ratio and revenue growth has a strong positive significant relationship with financial performance of selected firms in Nigeria. The study concluded that account receivables management impacts on financial performance of quoted selected firms in Nigeria.

Jonah et al., 2022 determined whether trade receivable influences the financial performance of listed consumer goods companies in Nigeria. The methodology adopted in the study was ex-post facto research design. The Secondary data used was obtained from annual report and account of

ten selected consumer goods companies in Nigeria stock exchange from 2012-2021. The statistical tools used include descriptive statistics, Pearson correlation and multiple regression analysis. The finding showed that Trade Receivable had a significant positive relationship with Financial Performance. It was discovered that Account Collection Period had a negative relationship between Net Profit Margin and Return on Asset, while Account Receivable Turnover (ART) had a positive relationship between Net Profit Margin and Return on Assets. The study therefore concludes that trade receivable influenced financial performance. It was recommended among other that managers of listed consumer goods companies should adopt efficient credit policy that will ensure short period of trade receivable in order to improve financial performance of their corporation.

Ibiam et al., 2024 examined the effect of current assets management on the operational performance of firms in the consumer goods Industry in Nigeria. The study adopted an ex-post-facto research design, covering a ten-year period (2013to2022). Secondary data were extracted from the annual reports and accounts of sampled FMCGs in Nigeria. Multiple regression techniques were used for test of hypotheses. The findings of the study reveal several important insights. Firstly, the analysis indicates a statistically significant negative relationship between inventory turnover and the turnover of FMCG firms in Nigeria. This is evident from the t-statistic of -2.269713 and a corresponding p-value of 0.0255. Secondly, in contrast, the study shows that accounts receivable turnover has a statistically non-significant negative impact on the turnover of FMCG firms in Nigeria. This is evidenced by a t-statistic of -0.406028 and a p-value of 0.6856. Lastly, the research demonstrates a statistically significant effect of the cash conversion cycle on the turnover of FMCG firms in Nigeria. This is supported by a t-statistic of -3.299741 and a p-value of 0.0014. The findings of the study lead to several recommendations for FMCG firms in Nigeria. Firstly, it is advised that firms enhance their demand forecasting techniques and adopt agile replenishment strategies to align with market trends and consumer preferences. Leveraging technology and data analytics can optimize inventory levels, mitigating overstocking and stock outs. Secondly, firms should tailor credit terms based on customer credit profiles, establish clear credit policies, and implement effective collections processes supported by technology. Lastly, it's recommended that firms conduct a comprehensive analysis of their operational cycle, collaborate closely with suppliers, and integrate technology to streamline processes.

## **Theoretical Review**

### **Resource-Based Theory**

Any productive activity must involve teams to cooperate and coordinate resources. At the same time, the capability of a firm is considered from the viewpoint of its team's ability to perform effectively at any task assigned to them based on the number of resources in their care (Grant, 2001). This means that a firm's capability is measured by the number of resources they possess. In this context, resource-based theory deals with how persons in charge of resources used their capacity to guarantee that existing company assets are managed effectively (Alvarez & Busenitz, 2001). It is of this essence that resource-based theory is adopted in this work, since receivables and payables management is part of handling firm resources. However, payables are liabilities which a firm is making use of pending the time it will be paid back.

### **Cash Conversion Cycle Theory**

Many academics, including Richards and Laughlin (1980) and Gitman (2003), have implemented and suggested Cash Conversion Cycle (CCC) theory to determine the efficiency and effectiveness of Working Capital Management (WCM). The CCC is a financial metric that assesses the time it takes for a company to convert its investments in inventory, receivables and other resources into cash inflows from sales (Takon, 2013). It provides valuable insights into the efficiency of a company's cash flow management and its overall working capital cycle. It is concerned with current assets and liabilities and it needs to be given careful attention (Adam et al., 2017). Oseifuah and Gyekye (2016) affirm that, in line with Richards and Laughlin (1980), the CCC theory states that, all being equal, a short CCC will increase the liquidity, profitability, and value of a company, while a long CCC will have an opposite effect. This is why this research adopts the concept of the CCC to explore the connection between receivables and payables and profitability, liquidity and solvency agro-allied firms.

### **Liquidity-Profitability Trade off Theory**

Niresh (2012) suggested that adequate liquidity may be a signal that excess funds are invested to liquid assets and this can make fund unavailable for any other profitable investment with higher returns. Thus, the overall profitability of the firm might be affected by the cost forgone associated with maintaining the liquid assets. In other words, the increment in liquidity of firms may lead to the reduction of firm's profitability while increment in the profitability of the firm can lead to reduction in firm's liquidity (Otekunrin et al, 2018). Therefore, firms should always try to achieve

a balance between the attainment of liquidity and profitability. The firm's liquidity should not be in excess or insufficient. Accumulation of unnecessary funds indicates that there is excessive liquidity which does not profit the firm in any as funds are tied down unutilised. Meanwhile, insufficient liquidity might deteriorate the firm's goodwill, reduce firm's credit standings and that might cause force liquidation of firm's assets. This theory is relevant to this study due to the fact that it explains how tradeoff between liquidity and profitability as a result of proper management of receivables and payables would facilitate solvency and continuity of agro-allied firms.

## Methodology

Survey design was adopted for this study. According to Pencom (2023), total number of registered agro-allied firms in Oyo State was seventy five (75). Therefore, 75 accounting officers of these agro-allied firms formed the population of the study. The study used primary survey-based data which was obtained through questionnaire from the agro-allied firms in Oyo State. The design was considered appropriate for the study due to extensive description of the relationship between trade receivables and payables and solvency of agro-allied firms. In analysing data collected for this study, methods adopted were not only “objective/research question based” but also be hypothesis-driven. Data collected for the study was analysed with the use of descriptive statistics like frequency distribution and simple percentages. Inferential statistics Ordinary Least Square Regression were used to test the relationship between independent (receivables and payables management) and dependent (agro-allied firms' solvency) variables and Pearson Product Moment Correlation Coefficient (PPMCC) to test the degree of correlation between them.

## Model Specification

Where  $Y$  = Agro-allied firms' solvency

$X_1, X_2$  = Management of receivables and payables.

$\alpha = \text{constant}$

$\beta_1, \beta_2$  are the rates at which management of receivables and payables determine solvency of agro-allied firms.

$\mu$  = error terms. It takes care of other factors that influence solvency of agro-allied firms.

## RESULTS AND DISCUSSION

### Responses of the respondents on effects of trade receivables and payables management on the solvency of agro allied firms in Oyo State.

Analysis from table 1 below showed that the respondents strongly agreed that proper management of receivables and payables lead to maintaining adequate liquid resources to meet maturing obligations which was indicated by 25%, 37.5% also agreed to it respectively. However, 25% and 12.5% disagreed and strongly disagreed respectively. This implies that proper management of receivables and payables lead to maintaining adequate liquid resources to meet maturing obligations. The table also indicated that 10% of the respondents strongly agreed that proper management of receivables and payables lead to maintaining smooth business operation to improve profit of agro-allied firms, 62.5% of them agreed to it while 27.5% disagreed. This implies that proper management of receivables and payables lead to maintaining smooth business operation to improve profit of agro-allied firms. The table further revealed the responses of respondents that liquidity stability and enhanced profitability enjoyed by agro-allied firms would improves their total assets and reduce their total liabilities. 30% strongly agreed to it, 32.5% agreed to it, meanwhile, 37.5% disagreed. This implies that liquidity stability and enhanced profitability enjoyed by agro-allied firms would improve their total assets and reduce their total liabilities. Likewise, information on the table revealed that 35% of the respondents strongly agreed and 40% agreed while 25% disagreed that proper management of receivable and payment would eventually lead to meeting agro-allied firms' long term obligations. This implies that proper management of receivable and payment would eventually lead to meeting agro-allied firms' long term obligations. The table also showed that 42.5% of the respondents strongly agreed and 17.5% agreed. However, 25% disagreed and 15% strongly disagreed that effective management of receivables and payables improves the solvency of agro-allied firms in Oyo State. This implies that effective management of receivables and payables improves the solvency of agro-allied firms in Oyo State.

**Table 1: Distribution of responses of respondents on effects of trade receivables and payables management on the solvency of agro allied firms in Oyo State.**

SA	A	D	SD	TOTAL
10(25)	15(37.5)	10(25)	05(12.5)	40(100)
04(10)	25(62.5)	11(27.5)	-	40(100)
12(30)	13(32.5)	15(37.5)	-	40(100)
14(35)	16(40)	10(25)	-	40(100)
17(42.5)	7(17.5)	10(25)	06(15)	40(100)

**Source: Researcher's Computation, 2025**

Source	SS	df	MS		
Model	30.6`5407	4	7.15285775		
Residual	3.4845930	35	.0995588		
Total	33.8	39	.8666667		
R-squared = 0.5820	Adj R-squared = 0.5794	Prob > F = 0.0000	F( 4, 35) = 98.76	Root MSE = .11354	No. of obs = 40

**Source:** Author's computation, 2025.

**Responses of the respondents on influence of trade receivables and payables management on the liquidity of agro allied firms in Oyo State.**

Analysis from table 2 below shows that the respondents strongly agreed that credit sales improves sales of agro-allied firms thereby increases their sales revenue which was indicated by 30%; 35% also agreed to it. However, 35% disagreed. This implies that credit sales improves sales of agro-allied firms thereby increases their sales revenue. The table revealed that 35% of the respondents strongly agreed that credit purchases makes fund that would ordinarily use to pay creditors immediately available for others businesses, 27.5% of them agreed to it while 12.5% disagreed and 25% strongly disagreed. This implies that credit purchases makes fund that would ordinarily use to pay creditors immediately available for others businesses. The table further revealed that 17.5% strongly agreed and 32.5% agreed however 50% disagreed that accounts payable are a major source of short-term financing for agro-allied firms and is an interest-free source of finance. This implies that accounts payable are a major source of short-term financing for agro-allied firms and is an interest-free source of finance. Likewise, information on the table revealed that 22.5% of the respondents strongly agreed and 40% agreed while 37.5% disagreed that when appropriate strategies are in places to collect money due on debtors, agro-allied firms will be liquid enough and fund will be on grand to foot suppliers' bills when they fall due. This implies that when appropriate strategies are in places to collect money due on debtors, agro-allied firms will be liquid enough and fund will be on grand to foot suppliers' bills when they fall due. The table also showed that 27.5% of the respondents strongly agreed and 30% agreed. However, 17.5% and 25% disagreed and strongly disagreed that trade debtors when collected promptly and trade creditors as a source of short term financing improve liquidity position of agro-allied firms. This implies that trade debts when collected promptly and trade creditors as source of short term financing improve liquidity position of agro-allied firms.

**Table 2: Distribution of responses of the respondents on influence of trade receivables and payables management on the liquidity of agro allied firms in Oyo State.**

SA	A	D	SD	TOTAL
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12(30)	14(35)	14(35)	-	40(100)
14(35)	11(27.5)	05(12.5)	10(25)	40(100)
07(17.5)	13(32.5)	20(50)	-	40(100)
09(22.5)	16(40)	15(37.5)	-	40(100)
11(27.5)	12(30)	07(17.5)	10(25)	40(100)

**Source: Researcher's Computation, 2025**

Source	SS	df	MS		
Model	42.7112436	4	10.6778869		
Residual	6.2687564	35	.1791073		
Total	48.98	30	1.2558974		
R-squared = 0.5574	Adj R-squared = 0.5426	Prob > F = 0.0000	F( 4, 35) = 70.16	Root MSE = .15734	No. of obs = 40

**Source: Researcher's Computation, 2025**

### **Responses of the respondents on effect of trade receivables and payables management on the profitability of agro allied firms in Oyo State.**

Analysis from table 3 below shows that 22.5% of the respondents strongly agreed and 42.5% agreed meanwhile 35% strongly disagreed that proper management of receivables and payables facilitate availability of fund for agro-allied firms' business operation. This implies that proper management of receivables and payables facilitate availability of fund for agro-allied firms' business operation. The table revealed that 55% of the respondents agreed that proper management of receivables and payables assists agro-allied firms in prompt settlement of suppliers, 45% of them disagreed. This implies that proper management of receivables and payables assists agro-allied firms in prompt settlement of suppliers. The table further revealed that 10% strongly agreed and 50% agreed however 40% disagreed that proper receivables and payables management helps agro-allied firms to take advantage of large scale buying at good term of trade with discount. This implies that proper receivables and payables management helps agro-allied firms to take advantage of large scale buying at good term of trade with discount. The information on the table revealed that 45% of the respondents strongly agreed and 22.5% agreed while 32.5% strongly disagreed that effective management of receivables and payables assists in investment diversification which is a good way of spreading risks. This implies that effective management of receivables and payables assists in investment diversification which is a good way of spreading risks. The table also showed that 30% of the respondents strongly agreed and 35% agreed. However, 20% and 15% disagreed and strongly disagreed that good management of payables and receivables reduces bad

debts, improves credit worthiness of a firm in the sight of suppliers. This implies that good management of payables and receivables reduces bad debts, improves credit worthiness of a firm in the sight of suppliers. The table finally revealed that 22.5% strongly agreed; 40% agreed while 37.5% disagreed that proper management of receivables and payables earns agro-allied firm more discount and reduces others operating expenses. Therefore improve the profit of the firm. This implies that proper management of receivables and payables improves the profit of the agro-allied firms in Oyo State.

**Table 3: Distribution of responses of respondents on effect of trade receivables and payables management on the profitability of agro allied firms in Oyo State.**

SA	A	D	SD	TOTAL
-	22(55)	18(45)		40(100)
04(10)	20(50)	16(40)	-	40(100)
18(45)	09(22.5)	-	13(32.5)	40(100)
12(30)	14(35)	08(20)	06(15)	40(100)
09(22.5)	16(40)	15(37.5)	-	40(100)
09(22.5)	17(42.5)	-	14(35)	40(100)

**Source: Researcher's Computation, 2025**

**Table showing the summary of regression analysis of relationship between trade receivables and payables management and profitability of agro allied firms in Oyo State**

Source	SS	df	MS		
Model	25.1070058	4	6.27685014		
Residual	3.04799417	35	.082085548		
Total	28.15	39	.7215230		
R-squared	Adj R-squared	Prob > F	F( 4, 35)	Root MSE	No. of obs
= 0.6024	= 0.5918	= 0.0000	= 103.8	= .10872	= 40

**Source: Author's computation, 2025.**

The result showed that management of receivables and payables had significant effects on profitability of agro allied firms in Oyo State. This was confirmed by  $R^2 = 0.6024$  which indicates that management of receivables and payables have 60.24% influence on profitability of agro-allied firms in Oyo State while the remaining 39.76% is left for other factors determining profitability of agro-allied firms in the state

### **Conclusion and Recommendations**

Consequent upon data collected to unravel the effect of trade receivables and payables management on the solvency of agro allied firms in Oyo State and based on the findings from the obtained result, the study concluded as follows:

Trade receivables and payables management had positive and significant effects on the solvency of agro allied firms in Oyo State. Proper trade receivables and payables management stabilised

liquidity and enhanced profitability of agro-allied firms and enable the firms to offset their long term obligations and enjoy continuity. It is therefore recommended that In order to achieve a better level of liquidity and ultimately solvency, agro-allied firms should reduce payables and increase receivables by shorten the maturities of receivables (revenue invoices) and increase the maturities of payables (cost invoices). Agro-allied industries should adopt efficient credit policy to reduce default rate by the customers and to the suppliers and regularly review account receivable discount and rate to attract prompt payment.

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