



Efficiency overload: Minimizing account receivable for SMEs financial performance surge during COVID-19 pandemic in Nigeria

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Abstract

The Covid 19 pandemic posed a threat at the beginning to human existence, and later its effects had negative consequences on the global economy with a particular reference to Small and Medium Scale business enterprises. Studies indicated that SMEs during the period of the pandemic were incapacitated when compared to other corporate entities as a result of insolvency and liquidity problems, and their inability to source funds from outside. The study investigates the influence of the minimization of accounting receivables on SMEs' financial performance as a bootstrapping strategy during the period of the COVID-19 Pandemic. In achieving the said objective, the study, employs primary data using a structured questionnaire on a four-point Likert's rating scale administered to 362 Small and Medium Enterprises (SMEs) as sample units drawn from the registered SMEs in Kano State using Slovenes' formula. The study also applied a simple random probability sampling technique to allow each unit (SME) an equal chance of participation in the survey. To investigate if there is a significant relationship between the variables the study employed multiple regression analysis as a statistical tool to test the study hypotheses. Findings from the study indicate that credit policy, average collection period, and trade discount were significantly influential factors in SMEs' financial performance during the COVID-19 pandemic. The study recommends that SMEs should engage in aggressive credit policy, set a stringent collection date, and allow trade discounts for those willing to pay in time.

Keywords: Account Receivable, Average Collection Period, Credit Management, Credit Policy, Trade Discount

1. Introduction

The emergence of the COVID-19 Pandemic in 2019, which is considered one of the worst human tragedies in the history of mankind not only affected human beings but also it affected the entire global economy (Sayegh & Affentous, 2021). Most studies consider the pandemic (WHO, 2019) purely a health issue at the beginning later with repercussions on global economic sectors due to the strategies adopted by the World Health Organization to contain the spread of the virus (IMF, 2022). These strategies (Shut down, quarantine, self-distancing, face mask, and restriction of movement) according to some researchers (Abdulrahaman, 2022; Susanty, et al.,

2022) are considered to be a two-edge sword, providing measures to contain the spread of the virus in one hand and the other it opened a tin of worm that did not spare all the sectors of the global economy (IMF, 2020; ITC, 2020). The negative outcome of the pandemic on the global economy according to some studies includes a fall dawn in GDP, employment, and revenue when compared to the period before the Covid-19 pandemic (PWC, 2020; ITC, 2020).

The consequences of the COVID-19 pandemic on global economic activities metamorphose into different forms, especially in an attempt to contain the spread of the virus (IMF, 2020; Bortik, et al 2020; Abdulrahaman 2023a; Lakuma &



Sunday, 2020). The strategies used to contain the effect of the pandemic affected the cash inflows of almost all corporate entities with a particular reference to small and medium enterprises (Abdulrahman, 2023b; Collins, et al., 2022). The situation was further escalated by the inability of the financial institutions especially banks to provide credit loans to SMEs to support their working capital. Adien, et al., (2020) posited that this precarious situation tied up SMEs' performance to the extent that they cannot cover expenses, pay debts, and make a strategic plan for their growth. Previous empirical research (Anorue & Ugwoke, 2022; Sah, 2022; Abiola et al., 2021; Kibona & Madishetti, 2013) around the globe indicated SMEs that used the Minimization of accounts receivable as a bootstrapping technique to boost their working capital stand to be better up when compared to other SMEs that do not use the same strategy. Here in Nigeria plethora of studies is yet to uncover the influence of minimization of accounts receivable on SMEs' financial performance with a particular reference to SMEs in Kano State during the pandemic, and this creates a gap that requires urgent attention especially when the pandemic is expected to re-emerge (WHO, 2020). The objective of the study is to examine the influence of the minimization of accounts receivable as a bootstrapping technique on SMEs' financial performance during the pandemic in Kano State, Nigeria. To achieve the said objective the study was divided into five different sections; Introduction, Literature review and Hypotheses development, Methodology, Data presentation and Analysis, and lastly Conclusion and Recommendations.

2. Literature Review and Hypotheses Development

2.1 SMEs Financial Performance

Small and Medium Scale Enterprises here referred to as SMEs have no generally acceptable definition (Amuda, 2020).

However, in the Nigeria context, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN/NBS, 2017); and Abdulrahman, (2021) defined SMEs as entities with an asset base of N5 million and not more than N300 million excluding land and buildings with employees not more than 300 and turnover not less than 100 million per annum (Banji, 2020). Despite the limitations of SMEs, researchers (Abdulrahman, 2022; Bloom, et al., 2020) believe that they play a crucial role in economic development. For example, Zeidy (2020); and Abdulrahman (2021) acknowledge SMEs drive growth, contribute to GDP, create employment, and provide goods and services to meet the demands of society.

SME financial performance encompasses a range of financial metrics that measure the overall health and profitability of a small or medium-sized enterprise (Ubiomoh, 2017; Mahmudov, 2018). These metrics as opined by Yusuf, Abubakar, and Paul (2020) typically include revenue growth, profit margins, liquidity, solvency, and efficiency ratios, such as return on assets (ROA) and return on equity (ROE). Analyzing these financial indicators can provide valuable insights into the financial stability, growth potential, and operational efficiency of an SME.

There are many controversies on the best measure or indicators to use in assessing the financial performance of SMEs as noted by Sanni (2009), and Abdulrahman and Ibrahim (2013). In their contribution, Airout et al (2023) identified the following measures of Financial performance under different conditions, which include; Sales Growth, Gross Profit Margin, Net Interest Margin (NIM), Return on Equity (ROE) and Return on Assets (ROA) that are widely employed in literature to measure financial performance. For this study sales turnover, gross profit margin, and net profit margin will be used.



2.2 Minimization of Accounts Receivable

Bootstrapping methods according to Block et al. (2020); Mabonga (2020); Muo, Oladimeji, and Okunbadejo (2020) is an internal source of funding available to business entities without looking for external funds from banks or other credit institutions. These methods include; minimization of accounts receivable, delaying payments to suppliers of credit, owner personal financing methods and retained earnings, and a host of others as stated in Stephen and Iskandaria (2006), Vanacker, et al (2010), Sanjo (2020), and Abdulrahaman (2023b).

It is a known fact that entrepreneurs conduct their daily transactions on credit sales rather than cash and carry (Mabonga, 2020). Trade credit provides room for SMEs to sell their product today with payment in due course (Sah, 2022). It is a well-known fact that trade credit exists most often in small-scale businesses with fragile limited sources of capital and this constitutes a significant part of the business assets, which care must be taken to avoid liquidity problems (Abdulrahaman, 2022). However, not all debtors are ready to make prompt payments when due and this reduces the liquidity position of the business at the same time affecting the working capital. In the same way round, if credit sales are not given, stocks of finished products will attract unnecessary stock expenses, which will lead to loss (Wasike, et al., 2019). Many studies suggested that a good evaluation of a customer's ability to pay should be conducted to reduce the cost of credit (Alhaji and Gakure, 2015). The most significant areas include his ability, willingness, and collateral to place a pledge in case of default (Abdulrahaman, 2022; Anorue & Ugwoke, 2022; Zwane & Nyide, 2016).

To save the business from collapsing, SMEs are expected to address this issue by using efficient receivable management for the survival of the firm (Anorue &

Ugwoke, 2022; Sah, 2022). The methods however among others as contained in the works of Abdulrahaman, (2022b); Anorue and Ugwoke, (2022) good credit policy, diffusion concentration of collections, and interest on overdue payments will improve the financial performance of SMEs. The dimensionalities of minimization of accounts receivable according to Dubino (2023); Ikechi (2022); Nuradden (2022), and Abiola et al (2023) include credit policy, trade discount, interest on overdue payments, and average collection period. The study will examine the influence of these dimensionalities on SMEs' financial performance.

2.2.1 Credit Policy and SME Financial Performance

Refers to the guiding principles, rules, and regulations adhered to by a business entity on how credit sales will be made to achieve the desired objective of the business. These include; time, amount, and provision of discount if any on early payment. However, most SMEs do not have favorable credit policies or they do not have them at all, and those that have do not follow the policy strictly. Many studies argue that if SMEs can afford to have a favorable credit policy the tendency they will not to find themselves in liquidity problems is significant (Fidelis, & Umaffong, 2020).

Empirical studies indicated the significance of credit policy on performance, for example, Fidelis and Umaffong (2020) in their study of the effect of credit management policy on the financial performance of listed consumer goods companies in Nigeria. Using secondary data for the period between 2016 to 2019, results from the study indicated good credit management policy enhances the financial performance of the listed companies under the survey.

Similarly, Enock, Davis, and Julius (2023) examine the effect of credit management policy and loan portfolio performance of Equity Bank in Kampala district, Uganda.



The results of the study using the triangulation method indicated that a credit term policy had an appositive correlation with loan portfolio performance of the said bank.

In another development, Alhaji and Gakure, (2015) posited the result of their study conducted on the Effects of Account Receivable Management on the Performance of Small and Medium Scale Enterprises in Nigeria. Using regression results the study finding indicated that account receivable management influences SMEs' financial performance in the study area at a 95% confidence level is statistically significant to accept the alternate hypotheses. Similarly, Vanacker et al., (2009) in their study also show that the minimization of accounts receivable has positive and significant growth in SME productivity, especially in organizations having aggressive credit policies. On subsidy financing, the study concludes that it has a positive impact, especially on newly created SMEs. Based on empirical results from previous studies the study postulates the following hypotheses.

H_{a1}: Credit Policy positively influences SME Financial performance during the period of the COVID-19 Pandemic.

2.2.2 Average Collection Period and SME Financial Performance

The average collection period refers to the length or duration of time required by business entities to collect their overdue receivable (Ikedi, 2022). The Average collection period is determined by dividing the business's yearly receivables by the business's total sales (Pandey, 2008). The average collection period as a measure of account receivables, according to some research (Wafula, et al., 2019) has a negative relationship with SME profitability, the lower the average collection period the better, and the more liquidity the business will be under any economic situation.

Similarly, in their study, Wafula et al. (2019) examine the influence of the

average collection period on the financial performance of Nzoia Water in Kenya. Using secondary data, results from regression and correlation analysis indicated that the average collection period is 309.9 days. The finding of the study concludes that the relationship between the average collection period and return on equity was negatively correlated.

Furthermore, Ikechi (2022) conducted a study on the effect of Debtors management on the Financial Performance of listed construction and real estate companies in Nigeria. Using secondary data, the study-finding based on multiple regression and correlation analysis shows that there is a negative and insignificant relationship between the average collection period and return on assets. Similarly, the study further indicated a positive but insignificant relationship between debtors' turnover and return on assets. This result supported the earlier findings of the study conducted by Fidelis and Umaffong (2020) asserting that the average collection period has a strong positive and significant relationship with the financial performance of listed consumer goods companies in Nigeria.

In examining the influence of minimization of accounts receivable on SMEs' performance, for example, Kibona and Madishetti (2013) found a negative correlation between the average collection period and SME profitability in Tanzania. Similarly, Collins and Kipkirui (2020) found a positive insignificant relationship between the average collection period and SME profitability in Kenya. These two findings supported the earlier study result conducted by Mathuba (2009) in Kenya where the study results indicated a strong negative association between average collection period and SME profitability.

Likewise, to determine the effect of working capital management on the performance of selected quoted firms on Nigeria stock exchange. Olayemi (2021) examined the statement of accounts of 10



companies drawn from the health, food, and beverages sectors, using multiple regression and correlation analysis the finding of the study indicated that the average collection period has positive and significant effects on firms' financial performance. Based on empirical results from previous studies the study postulates the following hypotheses.

H_{a2} Average Collection Period positively influences SME Financial performance during the period of the COVID-19 Pandemic.

2.2.3 Trade Discount and SME Financial Performance

A trade discount is a reduction in the amount due for payment for those who settled their credit on or before the due date (Abiola et al., 2021), which is used to encourage early payment and, at the same time enhance the liquidity of the firm. However, some studies argue that trade discount is a two-edged sword, in the sense that it promotes liquidity and at the same time encroaches profitability of the business. To promote liquidity for instance Abiola et al (2021) from research findings opine that 64 percent of the sample SMEs in the study area increase the liquidity of their businesses using a mechanism (trade discount) that will be instrumental to realize money from their debtors.

Nurudden (2022) conducted a study on financial bootstrapping and Organizational Performance: A study of some selected SMEs in Oyo State. The finding of the study using Pearson Product Moment Correlation indicates a strong relationship between delaying payment to suppliers; minimization of accounts receivable and SME performance. Similarly, the result also indicated that ownership financing, joint utilization, delaying payment, and minimization of accounts receivable have a significant influence on SMEs' performance in the study area. Despite all the above-mentioned findings, the result indicates minimization of accounts receivable provides SMEs with liquidity

through fines and charges. Most SMEs charge debtors who fail to make payments when due, this additional collection is considered another source of income that is internally generated and will influence performance.

Similarly, in their Study, Sunday et al., (2020) using a primary method of data collection, the result from regression analysis indicated that trade discounts in the form of special and buying allowances positively and significantly impacted on sales performance of Guinness products. Likewise, Etuk, et al., (2022) from a study they conducted using regression analysis found that trade allowance is the next variable with the highest significant positive effects on distributors' performance after rebate, the study concluded that trade sales promotion strategy has a significant positive influence on distributors' performance in the study area.

Based on empirical results from previous studies the study postulates the following hypotheses.

H_{a3} Trade Discount positively influences SME Financial performance during the period of the COVID-19 Pandemic.

2.2.4 Interest on Overdue Payment and SME Financial Performance

Dublino (2023) looks at interest as an additional money charge on overdue payments above the original amount of the invoice due to late payment. Interest is used when payments from debtors are not received as expected, and the rate as to what percentage to use depends from one organization to another. However, some academicians (Olayemi, 2021) and practitioners (Collins, 2024; Faulkner & Forbes, 2023) are of the view that any interest on overdue payments should not be charged more than a 10% interest rate for late transaction payments. Similarly, many business organizations consider interest in overdue payments as a measure that will provide an additional source of funding for



the business organization to attend to its liquidity and insolvency problems, especially during the pandemic period. The payment of interest on unpaid invoices should be within the bounds of the law to avoid reckless charges that could be considered exploitative on the side of the debtors a 1% to 2% could be charged as opined by Faulkner and Forbes (2023). Despite Late fees being standard practice in many industries, the management of business entities should let their client know their intention in advance before any charges.

In addition to the above assertion, Abiola et al. (2023) in their study on Liquidity Management Practices among Small and Medium-scale businesses in Lagos State, used a questionnaire on 4480 registered SMEs. The study results using descriptive analysis found that 64% of respondents depend on dues on debtors (interest on overdue payments to maintain their liquidity and remain solvent.

Similarly, in their contribution, Anorue and Ugwoke (2022) published a study report from the research they conducted on the Management of accounts receivable and Payable for Improved Financial Performance of Small Scale Industries in Imo State, Nigeria. The finding of the study using Analysis of Variance (ANOVA) indicated that there is no significant difference between the mean of the owners of SMEs and that of professional educators on the effectiveness of accounts payable in improving the liquidity of SMEs in the study area. Similarly, the result went on to accept that there is no significant difference between the mean of the owners of SMEs and that of professional educators on the effectiveness of account receivables in improving the financial position among the sampled SMEs. Based on the empirical pieces of evidence study therefore hypothesized the following statement.

H_{a4} Interest on Over Due Payment positively influences SME Financial

performance during the period of the COVID-19 Pandemic.

2.3 Theoretical Perspective

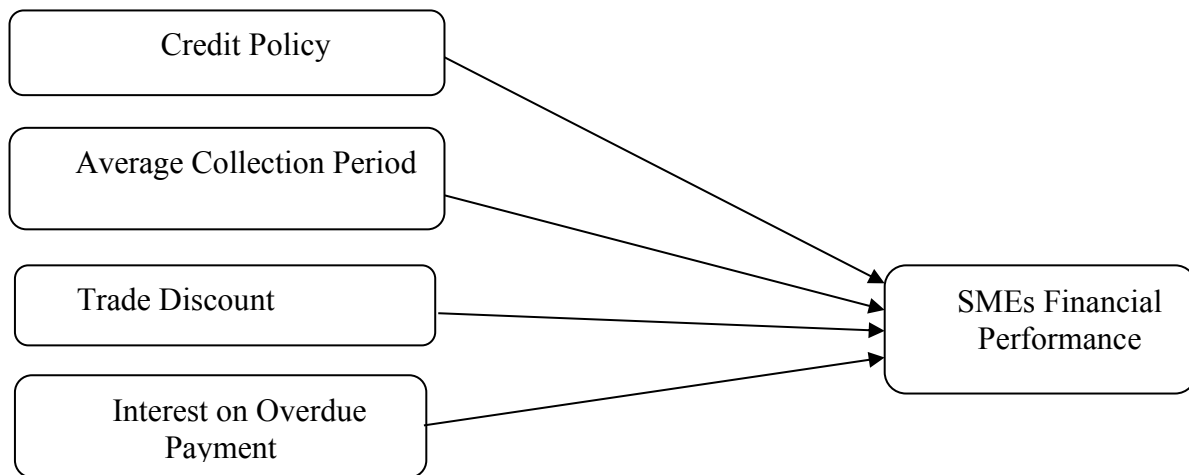
The underpinning theory of this study is a resource-based theory that has its roots from the earlier work of Barney (1991) and refined by Penrose (2009). The theory looks into the effective management of resources, exploiting production opportunities, as well as making strategic efforts to diversify. The model believes that organizations that have and can rapidly mobilize more strategic resources are likely to develop a sustainable competitive advantage and generate above-normal returns compared to their resource-constrained peers (Barney 1991). The theory postulates that SMEs using minimization of account receivables will strategically be better up during economic upheavals and compete favorably when compared to others that do not strategically position themselves. During the period of COVID-19 19 SMEs that use minimization of accounts receivable witnessed cash inflows that made a significant positive impact on the working capital, which led to sustainability and an increase in their financial performance.

The study presumed that SMEs that used Minimization of accounts receivable as a bootstrapping technique during the COVID-19 pandemic will witness sustainability and an increase in their performance. A Plethora of study (Abdulrahman, 2023b; Anorue, et al. 2022) holds the view that business entities with the resources available (accounts receivable) if managed well through good credit policy, charging interest on overdue payments, trade discounts, and average collection period stand to witness an increase in their financial performance despite the unwanted economic situation of pandemic, epidemic, and economic recessions as postulated by the theory.

2.4 Conceptual framework

During the Covid-19 pandemic business enterprises were trapped by liquidity problems making their financial performance absurd due to the effect of the pandemic on their working capital. To address the issue SMEs seek to embark on bootstrapping finance in the absence of external funding. The conceptual framework of the study therefore seeks to establish the relationship between the Minimization of accounts receivable as a

Figure 1: Conceptual Framework



3. Methodology

The philosophy of the study is built on the positivist approach and the research design is descriptive, (looking for the causal relationship if any between the minimization of accounts receivables and SMEs’ financial performance. The population of the study includes all the registered 2441 SMEs in Kano State according to the National Bureau of Statistics (2021). Using the Slovins formula calculator the study selected 362 SMEs as the sample size with an acceptable margin of 0.05. Similarly, the study used a simple random probability sampling technique to give each SME an equal chance of representation from the population this is in line with the study conducted by Abdulrahman (2022). A

bootstrapping technique and SMEs’ Financial Performance during the period of COVID-19 in Kano State as indicated in Figure 1. The Independent variable is multidimensional with four constructs (Credit policy, Average Collection Policy, Trade Discount, and Interest on Over Due Payments) and the dependent variable financial performance was treated as a uni-dimensional variable.

structured questionnaire was adopted (Abdulrahman, 2023) with little modification to suit the purpose of the study on four Likert rating scales.

3.1 Validity Test

Validity is the ability to produce findings that are in agreement with the theoretical or conceptual values to produce and measure what is supposed to be measured (Amin, 2006). To achieve this objective the study tested both the independent, and dependent variables, and the results were incorporated in this study, which forms a cornerstone of the research. Given the above, a Confirmatory Factor analysis (Kaiser-Meiyer Okin - KMO) validity test was performed the results in Table 3.1 show that KMO values for all constructs were within the acceptable region according to the classification of George and Mallery (2003).



Table 3.1 Construct Validity coefficients for all constructs

Construct	KMO value	Interpretation.
Credit Policy	0.73	Acceptable
Average collection period	0.72	Acceptable
Trade Discount	0.71	Acceptable
Interest on Overdue Payment	0.72	Acceptable
SMEs Financial Perf.	0.70	Acceptable

Source: Primary data

3.2 Reliability Test

Reliability tests attempt to measure the level of consistency testing the ability of the instrument to produce the same results after using it on different occasions (Mugenda & Mugenda, 1999). To measure the consistency of the instrument the study applied Cronbach’s alpha coefficient as suggested by Mubaraka (2013), and Ahmed (2010), and the result of the test was given in Table 3.2.

Table 3.2 Cronbach’s Alpha Value for Variables

Variable/Constructs	Cronbach’s Alpha	Classification by George and Mallery (2003)
Credit Policy	0.761	Acceptable
Average collection period	0.855	Good
Trade Discount	0.831	Good
Interest on Overdue Payment	0.870	Good
SMEs Financial Perf.	0.869	Good

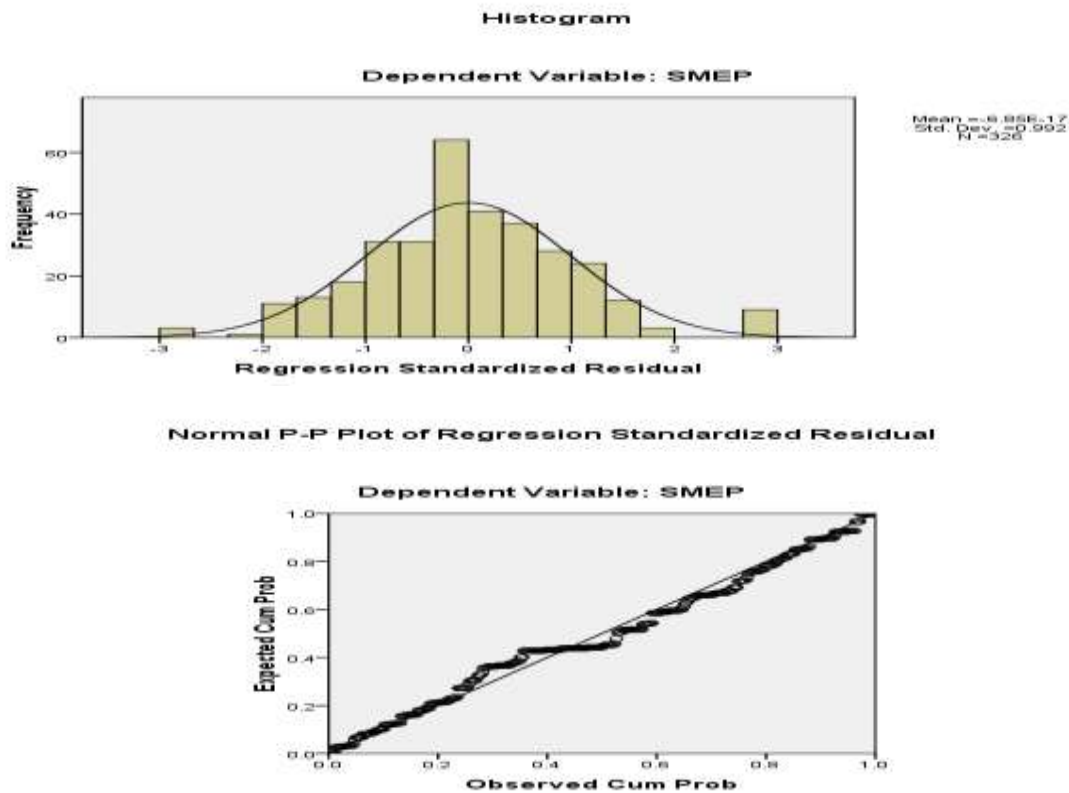
Source: Primary data

Based on the Classification of the quality of Cronbach’s Alpha value, table 3.2 showed that results from the reliability test indicated that all the values are within the acceptable region based on the classification of George and Mallery (2003) which, state that values exceeding 0.9 are excellent, those between 0.9 and 0.8 are good, 0.7 to 0.8 are acceptable, 0.6 to 0.7 are questionable and 0.5 to 0.6 are poor, and below 0.5 is unacceptable.

3.3 Diagnostic Test

To check if multicollinearity and linearity exist, the result from the preliminary

analysis in Table 4.2 indicated that the data were normally distributed with Kurtosis and Skewness having values closer to 0 and greater than 0.00001 as suggested by Field (2015); Singh (2021). Similarly, the Value of sig. Deviation from linearity is less than (0.05) which is an indication linearity does not exist among the study variables as suggested by Mubaraka (2013). Similarly, Figure 1 using histogram and normal distribution curve shows how data from the study was normally distributed indicating the absence of linearity and multicollinearity cases.



3.4 Statistical Model

The study model is based on the assumption that the minimization of accounts receivable influences SME financial performance as it is depicted in the following equation

$$Y = \beta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

β = The slope of the regression line

X_1 = CRD. P = Credit Policy

X_2 = AV. CP = Average Collection Period

X_3 = T. DISC = Trade Discount

X_4 = INT. O = Interest on Overdue Payment

ϵ = Error term

Y = SMEs Financial Performance

3.5 Measurement of the Study Variables

By the act of Operationalization, the researcher translated constructs into measurable indicators (Saunders et al., 2006). Through theoretical and literature review and conceptualization, the researcher established the use of four constructs to measure minimizing Accounts receivable. These constructs

include credit policy, Average Collection Period, trade discount, and interest on overdue payments as found in the studies conducted by Abiola et al (2023), Dublino (2023); Nuradden (2022), and Olayemi (2021). Similarly, SMEs' Financial performance is measured by Gross profit, Net Profit, and Return on Assets based on the studies conducted by Abdulrahman (2023b), Amuda (2020); Zeidy (2020).

4. Results and Discussion

4.1 Questionnaire Response Rate

The study sampled 362 respondents from the target population in the area of the study, to respond to the study questionnaire regarding minimization of accounts receivable and SME financial performance. Table 4.1 provides the response rate of the total questionnaire distributed. From the study, 362 respondents of 350 sampled respondents returned their questionnaire well-filled, contributing to a 96.5% response rate, and 12 respondents did not respond to the study questionnaire. Mugenda and Mugenda

(1999) opine that a response rate greater than 80% is excellent for providing representation for analysis and reporting.

Table 4.1 Response Rate

Response	Frequency	Percentage
Responded	350	96.5
Not Responded	12	96.5
Total	372	100

4.2 Descriptive Statistics of the Study Respondents

The statistics of the respondents' profiles indicated that the majority of the respondents are male (320, 91.4%) and married (250, 71.4 %). Similarly, the majority of the respondents have business experience between 11 – 15 years (51.4%). Concerning the educational level of the respondents, 120 (34.3%) constituting the majority have a secondary certificate with very few attending postgraduate courses (5.7%). Furthermore, the majority of the respondents have a capital base between 50 million and 100 million (140, 61%), while

Table 4.2 Descriptive Statistics of the Study Variables

	SME PF	CRD.P	AVR.C	T. DISC	INT. O
Mean	3.8129	3.8497	4.0245	3.9877	3.8742
Std Dev	.86573	.88689	.94755	.91811	.94437
Skewness	-.516	-.739	-.901	-.720	-7.61
Kurtosis	-.135	.478	.391	-.112	.075
Minimum	1.00	1.00	1.00	1.00	1.00
Maximum	5.00	5.00	5.00	5.00	5.00

Similarly, Table 4.2 indicated the normality distribution of the study instrument using Skewness and Kurtosis all the values are within the acceptable region of -1 and +1, and with the value of skewness falling between -.901 and -.516 the distribution is symmetrical as argued by Singh (2021).

4.4 Pearson Linear Correlation

To look at the relationship of the study variables, Table 4.3 provides coefficients that signify the kind of relationship that exists among the variables. Similarly, the coefficient is used to determine if

only 7 percent have a capital of N 151 million and above as a capital base. Similarly, on the total number of workforces, those that employed between 40 – 59 constitute the majority with 51.4%. The statistics further indicated that the majority of the respondents (200: 55%) are in the production business, with 15% in merchandising.

4.3 Descriptive Statistics of the Study Variables

Table 4.2 provides descriptive statistics of the study variables Using the SPSS (21) software version, the mean and standard deviation indicate the level of respondents in understanding the factors concepts, and variables used in the questionnaire. The mean average ranges from the highest 4.0245 (T DISC) to a minimum of 3.8129 (CRD. P) with a standard deviation of .94755 (T. DISC) and .86573 (CRD. P) is an indication of good understanding as the variability of the data moves closer to the mean going by the classification of Field (2015).

multicollinearity exists among the study variables as opined by Shrestha, (2020). The coefficients from Table 4.3 are all positive and significant, for instance, the relationship between Credit policy and SME financial performance is positive and significant with $r = .577$ at 99% confidence level. Furthermore, the relationship between the Average collection period, SMEP, and Credit policy is positive and significant with a correlation coefficient of .602 and .669 respectively. However, the relationship between Trade discount, and SMEP, Credit policy, Average collection



period is positive but not significant with correlation coefficients of .426, .392, and .444 respectively at 95% confidence level.

Table 4.3 Correlation Table

	SMEP	CRD. P	AVR. C	T.DISC	INT O
SMEF P	1				
CRD. P	.577**	1			
AVR. C	.602*	.669*	1		
T DISC	.426*	.392*	.444*	1	
INT. O	..495**	.547**	.531*	.471*	1

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

To determine excessive similarities among the study variables leading to the multicollinearity problem the coefficients from Table 4.3 indicated no cases of multicollinearity exist, hence all the coefficients are less than 0.8 as suggested by Shrestha (2020).

4.5 Multiple Regression Analysis

Multiple regression analysis provides an avenue of neutrality in assessing the degree and character between independent variables and dependent variables (Sekaran and Bougie, 2010; Hair, et al 2016; Field, 2009). The regression coefficient is used to show the relative importance of each of the independent variables in the prediction of the dependent variable. If the independent variables are collectively regressed against the dependent variable to explain the variance in it, the size of each regression coefficient will show how much an increase in one unit in the independent variable would affect the dependent variable taking into consideration all other variables inserted into multiples coefficient (Sekaran & Bougie, 2000; Zikmund, et al; 2010). To examine the influence of the Minimization of accounts receivable on SME financial performance the study conducted a multiple regression analysis. Four (4) predicting variables including trade discount, interest on overdue payment, average collection period, and credit policy were examined to see their influence on SME financial performance. Table 4.4 presents a regression analysis of the variables under study.

Table 4.4 Multiple Regression

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
Constant	0.460	.256		1.798	.073		
CRED. P	.264	.065	.242	4.050	.000	.482	2.074
AVR.C	.325	.063	.306	5.167	.000	.491	2.037
TRD D.	.131	.049	.132	2.679	.008	.710	1.409
INT. O	.138	.055	.134	2.495	.013	.593	1.685
Model			1				
R			.671 ^a				
R ²			.450				
Adj R ²			.441				
Std. Error of the Estimate			.706				
R ² Change			.450				
F Change			52.380				
df1			5				
df2			320				
Sig. F Change			0.000				
Durbin			1.413				

$$\text{SME Performance} = 0.460 + .264X_1 + .325X_2 + .131X_3 + .138X_4 + \epsilon$$

The results of regression analysis presented in Table 4.4 show $R=.671$, which implies that the relationship coefficient between the predictors and the predicted was 67.1% showing a positive relationship between financial incentives and academic staff performance. R^2 of .450 implies that predicting variables trade discount, interest on overdue payment, average collection period, and credit policy were able to predict 45% variance of the dependent variable (SME performance), while the remaining 55% was not captured by the study. The significant F.test of (52.380, sig < 0.000) signifies the overall significant prediction of independent variables to the dependent variable. This further implies that a p-value of 0.000 is the model's fitness in regressing the relationship between trade discount, interest on overdue payment, average collection period, and credit policy and SME performance, therefore, the model is good enough to explain the relationship between the predictor and the predicted variables.

4.6 Test of Hypotheses, Results, and Discussion

To test the study hypotheses, Table 4.4 provides the following results using multiple regression analysis and the results were as follows:

Hypothesis One

H_{a1} Credit Policy positively influences SME Financial performance during the period of the COVID-19 Pandemic.

In testing hypotheses, one results from Table 4.4 show that ($\beta = .264$, Sig. = 0.000, and $\alpha = 0.05$) indicating that credit policy is a statistically positively influential factor on SME performance during the Covid-19 pandemic. The sig. 0.000 is not statistically greater than $\alpha = 0.05$ at a 95% confidence level and with this result the alternate hypothesis H_{a1} is accepted. Furthermore, looking at $\beta = .264$ indicated that any increase of units in credit policy will lead to a 26.4% increase in SME performance. This finding supported the earlier study results conducted by Alhaji and Gakure,

(2015), and Vanacker, Manigartand, and Meuleman (2009) that credit policy influences SMEs performance.

Despite these studies being conducted in different places at different periods, the study results vindicated one another and are a testimony that SMEs involve themselves in aggressive credit policy, especially in periods where they want to maintain liquidity. The period of the COVID-19 pandemic is characterized by insolvency and liquidity problems, revenues are no longer coming due to the closure of markets, and retrieving money from debtors depends on aggressive policies that SMEs put in place. Most of the SMEs that participated in the survey have aggressive credit policies and that is what makes them survive the spang of the pandemic, which saw many large and small businesses collapsing.

Hypothesis Two

H_{a2} Average Collection Period positively influences SME Financial performance during the period of the COVID-19 Pandemic.

In testing the second proposition of the study that examined the relationship between the average collection period and SME financial performance, Table 4.4 indicated that the average collection period was a statistically significant factor with $\beta = .325$, Sig. = 0.000, and $\alpha = 0.05$ at (95% confidence level. The Sig = 0.000 is not statistically large when compared with $\alpha = 0.05$, meaning that the average collection period positively influences SMEs' financial performance during the period of Covid -19 pandemic. Therefore, the study hypothesis is accepted. Likewise, looking at $\beta = .325$ signifies that a unit increase in the average collection period will lead to a 32.5% increase in SME financial performance.

The study results concur with the study result conducted by Olayemi (2021) that the average collection period positively influences the financial performance of selected SMEs in Nigeria during the



survey. However, the study does not support the earlier study findings of Madishetti and Kibona (2013); Wasike et al (2019), and Ikechi (2022) found a negative relationship between average collection period and SMEs' financial performance in Kenya, Tanzania, and Nigeria respectively. Despite these mixed reactions from previous studies, the study learned that the surveys carried out by Madishetti and Kibona (2013); Wasike, et al., (2019), were conducted during the pre-pandemic period this may be the reason why the results were not in conformity with the study's result. The point to note is there is not much pressure in the pre-pandemic period necessitating SMEs to relax their collection policy as such they are not keen to consider the average collection period seriously. It should be noted that the lack of cash inflows during the pandemic necessitated SMEs to press their debtors to make payments to maintain liquidity, and from the study, those SMEs that emphasized collection witnessed an increase in their financial performance.

Hypothesis Three

H_{a3} Trade Discount positively influences SME Financial performance during the period of the COVID-19 Pandemic.

Table 4.4 provides regression analysis results to test the influence of trade discounts on SMEs' financial performance ($\beta = .131$, Sig. = 0.008, and $\alpha = 0.05$). The result indicated that trade discounts positively and significantly influence SMEs' financial performance. The $\alpha = 0.05$ is statistically large when compared to sig. .008 at a 95% confidence level. The results therefore signify that the study hypotheses are accepted that Trade Discount positively influences SME Financial performance during the period of the COVID-19 Pandemic. Despite our study being limited in getting empirical studies that investigated the influence of trade discounts in influencing financial performance, however, what is available

from the study findings is an indication that allowing trade discounts to stimulate payment is an issue that should be taken seriously by all SMEs.

Furthermore, the study proved that allowing Trade discounts stimulates debtors to pay in time and this significantly increases the liquidity of those SMEs that adopted the strategy. This is in line with the results of the studies conducted by (2022), and Etuk, et al., (2022) that trade discounts positively influence performance. However, care has to be taken because giving out trade discounts reduces the volume of sales on the cash invoice and this can affect the financial performance of the business (Etuk, et al., 2022). By the same token, trade discounts should be allowed if it can improve the cash flow of the SMEs and increase their performances as forwarded in Nurudden (2022), Etuk, et al., (2022) and Sunday et al., (2020)

Hypotheses Four

H_{a4} Interest on Over Due Payment positively influences SME Financial performance during the period of the COVID-19 Pandemic.

To test hypothesis four, results from Table 4.4 ($\beta = .138$, Sig. = 0.013, and $\alpha = 0.05$) indicated that interest on overdue payments is a positively significant determinant of SMEs' financial performance. With $\alpha = 0.05$ statistically larger when compared to Sig. = 0.013 The alternate hypothesis, which proposes that Interest on Due Payment positively influences SME Financial performance during the period of the COVID-19 Pandemic is accepted. Likewise, the $\beta = .138$ indicated that a unit change in interest on overdue payments will lead to a 13.8% change in SMEs' financial performance. These results supported the earlier study findings conducted by Dublino, 2023; Abiola et al, 2023; Anoroue, and Ugwoke 2022 that interest in overdue payment positively influences financial performance. Despite these studies being conducted after the pandemic when the business liquidity



crunch subsided, the measure is considered an impetus to generate internal funding. The study is of the view that if a similar measure was taken during the period of the pandemic there is a likely chance that Abiola et al, 2023; Anoroue, and Ugwoke 2022 would have the same results.

It should be noted that during the pandemic cash flows especially for SMEs are negatively affected due to a lack of sales, and external financing is not available as the effect of the pandemic also affected the credit providers. Under this scenario, SMEs are left with no option other than to double their effort in collecting payment from their debtors and allow debt charges that are due but not settled. These measures necessitate some debtors to make payments to avoid surcharging them, and those that failed to make payments were charged, and the result of these actions positively affected the working capital of SMEs in the study area.

5. Conclusion and Recommendations

The objective of the study is to examine the influence of the minimization of accounts receivable on SMEs' financial performance during the Covid 19 pandemic in Kano State, Nigeria. In achieving the said objective, a survey study was conducted on 2441 SMEs in the study area, and 362 SMEs were used as sample units. The study distributed questionnaires to owners and managers of SMEs, and their responses were analyzed using Pearson correlation Coefficient, and Multiple regression analysis to validate the study hypotheses. The results of the study indicated that; credit policy, average collection period, trade discounts, and interest on overdue payments all positively influence SMEs' financial performance at a 95% confidence level during the pandemic.

From the research findings and discussions, the study concludes that the general objective of the study was achieved, which indicated the influence of the minimization of account receivables on

SMEs' financial performance during the pandemic in the study area. Similarly, the study concludes that credit policy, average collection period, trade discounts, and interest on overdue payments positively influence SMEs' financial performance in the study area during the pandemic.

The study implications from the finding of the study, the study validated the theoretical preposition postulated by Pecking order theory. This could be seen from the study result that SMEs using minimization of account receivables through good credit policy, interest on over dues, and minimum average collection period as internal sources of funding witnessed increased financial performance during the trial. Similarly, regarding the managerial and policy implications SMEs should consider good credit policy, interest on overdue payments, average collection period, and trade discounts as strategies to adopt when finding it difficult to access external funding due to economic vagaries. Looking at the results and implications of the study the following were recommended.

1. SMEs should adopt and strictly follow their credit policies for them to maintain liquidity irrespective of the nature of the economic vagaries.

2. Small and Medium enterprise should determine their average collection period wisely this will help the business to limit the chances of running out of cash by reducing the accounts that are due.

3. SMEs should consider giving out trade discounts as a mechanism to persuade debtors to make payments before the agreed time duration, and this will assist.

4. SMEs should charge interest on overdue payments this will provide an additional source of income and at the same time pressure debtors to come and make payments.

As a limitation to the study covering the period within which the COVID-19 pandemic is at its height, the study results not be binding on other periods. Future



researchers should investigate the influence of the minimization of accounts receivable on the financial performance of SMEs in pre and post-COVID-19 pandemic periods. Furthermore, the study called future researchers to investigate the moderating role of government support on the relationship between the minimization of account receivables and SMEs' financial performance during the period of the COVID-19 pandemic.

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