

Current Liabilities and Financial Performance of Healthcare Firms in Nigeria

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Abstract: *The study evaluated the relationship between current liabilities and financial performance of healthcare firms in Nigeria. The specific objectives of the study are to assess the effect of Trade Payables, Current Tax Liabilities and Short-Term Borrowings on Return on Assets of Healthcare firms in Nigeria. Ex post facto research design was adopted. Data were collected from annual reports and accounts of sampled firms within the industry to test the null hypotheses that selected current liabilities do not affect return on assets significantly. Correlational analysis was the tool of analysis using panel data set covering Fifty (50) observations from Five (5) firms in the Healthcare sector. The findings revealed that Trade Payables (TP) have weak but significant positive relationship with Return on Assets of Healthcare firms in Nigeria with a correlation coefficient of 0.524514 and a p-value of 0.0001. Current Tax Liabilities have weak but significant positive relationship with Return on Assets of Healthcare firms in Nigeria with a correlation coefficient of 0.539686 and a p-value of 0.0001. Short-Term Borrowings have weak but significant positive association with Return on Assets of Healthcare firms in Nigeria with a correlation coefficient of 0.538232 and a p-value of 0.0001. The implication of the findings is that current liabilities such as trade payables, current tax liabilities and short-term borrowings are significant positive determinants of financial performance of healthcare firms in Nigeria. The study therefore concluded that while the observed relationships were statistically significant, the weak correlations suggest that other factors not examined in this study may have stronger association with return on assets of healthcare firms. The study recommends that effective management of trade payables and current tax liabilities is essential for healthcare firms to successfully navigate the tedious regulatory requirements and enhance financial performance. Furthermore, strategic utilization of short-term borrowings would provide healthcare firms with the necessary financial flexibility to support growth initiatives and address short-term funding needs.*

Keywords: Current liabilities, financial performance, healthcare firms, Nigeria, trade payables, current tax liabilities, short-term borrowings, return on assets (ROA),

INTRODUCTION

The healthcare sector in Nigeria is of paramount importance, serving as a cornerstone for the well-being of its populace. This healthcare sector in Nigeria faces multifaceted challenges, including inadequate

infrastructure, limited access to quality care, and insufficient funding (Ogunleye, 2018). These challenges are further compounded by the complex interplay of socioeconomic factors, such as poverty, urban-rural disparities, and a rapidly growing population, which place immense pressure on the healthcare system (Nwosu, 2019). In response to these challenges, healthcare firms in Nigeria are tasked with the formidable responsibility of delivering essential services while navigating a financially constrained environment.

Financial management plays a pivotal role in addressing the operational and strategic needs of healthcare organizations (Amidu & Adjasi, 2018). Effective management of financial resources is essential for ensuring the delivery of quality care, investing in infrastructure, and sustenance. However, the financial landscape of healthcare firms in Nigeria is characterized by various complexities, including limited access to credit, high borrowing costs, and stringent regulatory requirements (Ogunleye, 2018). Liability management emerges as a critical financial managerial decision, as highlighted by Lakew and Rao (2018). Liabilities, representing financial obligations from past events with settlement in the future resulting in resource outflows, are categorized as current or long-term. Within this context, current liabilities emerge as a critical component of financial management for healthcare firms. Current liabilities represent short-term obligations that must be settled within one year, including accounts payable, short-term loans, and accrued expenses (Pike & Neale, 2006). Managing these liabilities effectively is essential for maintaining liquidity, meeting operational expenses, and sustaining day-to-day operations (Brigham & Houston, 2020).

Firms, depending on their risk appetite, may opt for long-term liabilities for stability or current liabilities for their cost efficiency (Seru & Sufi, 2021). The researchers emphasize that effective liability management seeks an optimal level, minimizing associated risks while maximizing returns. Decisions about current and long-term liabilities, capital and financial structures, payment periods, and turnover practices collectively form the liability structure, ultimately aiming for a favorable risk-return tradeoff (Zada, Yukun, & Zada, 2019).

Profitability stands as a cornerstone metric for evaluating a company's financial performance and sustainability (Groppelli & Nikbakht, 2012). Metrics such as net profit margin, return on assets (ROA), and return on equity (ROE) are commonly utilized to assess operational efficiency and the ability to generate returns for shareholders. Understanding the effect of current liabilities on these financial performance metrics of healthcare firms offers valuable insights into the financial strategies adopted by healthcare firms and their implications for overall business performance.

Statement of the Problem

Healthcare firms in Nigeria face considerable financial constraints that impact their ability to achieve sustainable growth and performance. Limited access to capital, high borrowing costs, and strict regulatory requirements add complexity to financial management within the sector. These challenges are intensified by the diverse nature of healthcare services, which includes both public and private providers, as well as primary and tertiary facilities. For healthcare firms, managing current liabilities is essential to ensure both operational continuity and the delivery of quality healthcare amidst these financial pressures.

A primary challenge is the limited empirical research on the relationship between current liabilities and financial performance in Nigerian healthcare firms. This research gap restricts understanding of the sector's financial dynamics, thereby limiting the development of effective financial strategies. Without clear insights into how current liabilities affect financial performance, it is difficult for healthcare leaders, policymakers, and other stakeholders to make informed decisions. This absence of data-driven guidance poses risks to the sector's sustainability and resilience.

This study aims to address this gap by examining the relationship between current liabilities and financial performance in Nigerian healthcare firms, with a specific focus on three key areas. First, it seeks to understand the relationship between trade payables and return on assets (ROA). Second, it evaluates how current tax liabilities may influence ROA. Finally, it investigates the relationship between short-term borrowings and ROA.

REVIEW OF RELATED LITERATURE

Current Liabilities

A liability is an obligation of a company that results in the company's future sacrifices of economic benefits to other entities or businesses (Lakew & Rao, 2018). A liability, like debt, can be an alternative to equity as a source of a company's financing. Moreover, some liabilities, such as accounts payable or income taxes payable, are essential parts of day-to-day business operations. Poor management of liabilities may result in significant negative consequences, such as a decline in financial performance or, in a worst-case scenario, bankruptcy (Lakew & Rao, 2018).

Trade Payables

Accounts payable are a crucial source of short-term financing that allow businesses to defer payments to suppliers for goods and services, providing operational support and flexibility (Naeem et al., 2014). This form of trade credit, which includes accrued expenses, helps businesses maintain cash flow while balancing the need for positive credit ratings and supplier relationships. Even though companies may prefer cash transactions, competitive pressures often necessitate offering credit to clients who delay payments, which can maximize cash flow and maintain customer relationships (Hassan et al., 2017). By managing accounts payable effectively, companies can secure short-term financing without immediate cash outflows, which is essential for sustaining business operations (Gitman, 2009).

Efficient accounts payable management is vital for maximizing cash flow and minimizing costs (Enow & Kamala, 2016). By delaying payments within the terms allowed, firms can assess product quality and take advantage of flexible financing while avoiding missed discounts or late fees (Gitman, 2009). This process involves meticulous handling of invoices, accurate record-keeping, and adherence to vendor terms, which together ensure cost savings and foster positive supplier relationships (Sedevich-Fons, 2018). By avoiding penalties and capturing early payment discounts, businesses enhance their cash flow and build a solid foundation for sustainable growth through effective financial strategy and supplier collaboration (Duru & Okpe, 2015; Jung et al., 2021).

Current Tax Liabilities

Tax, as defined by Akrani (2010), is a compulsory payment levied by the government on individuals and corporations to fund public welfare expenditures. Omotoso (2001) further describes tax as an obligatory levy imposed by authorities on income and assets, irrespective of services received. Okpe (2000) emphasizes that tax payment entails transferring resources from the private to the public sector to achieve economic and social goals. These goals, outlined by Onoh (2013), include employment provision, price stabilization, GDP growth, a favorable balance of payments, promoting a free-market economy, equitable income redistribution, and advancing labor and capital development. This study focuses specifically on company income tax.

Aroh (2020) explains that company income tax is imposed by the Federal government on a company's chargeable income in a given year. The Federal Board of Inland Revenue assesses, and taxes limited liability companies nationwide based on audited accounts or returns submitted by the company. Anyanwu (1997) notes that funds from company income tax collected by the Federal Inland Revenue Service are directed to the federation account, financing government functions and providing social amenities. Anyanwu highlights the positive impact of tax-funded amenities, such as infrastructure improvements, facilitating economic growth and productivity.

Short-Term Borrowings

Short-term debt, sometimes referred to as revolving debt, serves as a financial instrument to meet immediate financial obligations, including funding payroll and covering regular recurring expenses such as utilities and rent. Adhering to the matching principle of finance, short-term assets are ideally financed with short-term liabilities, while long-term assets should be funded with long-term liabilities (Guin, 2011). Short-term assets and liabilities are typically characterized as those items expected to be utilized, liquidated, matured, or settled within a one-year timeframe.

Short-term debt plays a crucial role in maintaining liquidity and operational efficiency for businesses across various industries. It provides flexibility in managing cash flow fluctuations and addressing short-term financial needs without committing to long-term debt obligations. For instance, companies may utilize short-term debt to cover seasonal variations in revenue or unexpected expenses, ensuring smooth business operations throughout the year (Pike & Neale, 2020). Moreover, the strategic use of short-term debt aligns with prudent financial management practices, allowing businesses to optimize their capital structure and minimize financing costs. By matching the maturity of liabilities with the expected utilization period of assets, companies can mitigate liquidity risks and avoid unnecessary interest expenses associated with long-term borrowing (Brigham & Houston, 2020).

Return on Assets

Return on assets is a profitability ratio that provides how much profit a company can generate from its assets (Investopedia, 2023). In other words, return on assets (ROA) measures how efficient a company's management is in earning a profit from their economic resources or assets on their balance sheet. ROA is shown as a percentage, and the higher the number, the more efficient a company's management is at managing its balance sheet to generate profits (Investopedia, 2023). According to (Business Development Bank of Canada, n.d.), a rising ROA tends to indicate that a company is increasing its profits with each dollar invested in the company's total assets. A declining ROA may indicate a company

might have made poor capital investment decisions and is not generating enough profit to justify the cost of purchasing those assets. A declining ROA could also indicate that the company's profits are shrinking due to declining sales or revenue.

Theoretical Framework

The study was anchored on Static Trade-off theory by Kraus and Litzenberger (1973). The trade-off theory posits that firms typically favour debt due to tax advantages. Profitable firms, seeking to maximize their debt tax shield, may leverage more debt (Myers, 1984). This theory also suggests that companies aim for debt levels that balance tax benefits against potential financial distress costs. Besides tax advantages, agency and bankruptcy costs may prompt highly profitable firms to increase debt in their capital structure, as they are less likely to face bankruptcy risk (Myers, 1984). Consequently, the trade-off theory predicts a positive relationship between leverage and profitability.

The Trade-off Theory provides a relevant framework for understanding the interplay between current liabilities and profitability within healthcare firms in Nigeria, as outlined in the study's objectives. It suggests that firms must carefully weigh the benefits and costs of financial decisions, including those related to current liabilities such as trade payables, current tax liabilities, and short-term borrowings. Examining the relationship between trade payables and profitability aligns with the Trade-off Theory, reflecting strategic decisions regarding short-term financing and supplier relationships. Similarly, assessing the relationship between current tax liabilities and profitability dig into the trade-off between preserving cash flow and potential costs associated with tax penalties. Additionally, analysing the relationship between short-term borrowings and profitability explores how firms balance financial flexibility with debt-related risks to optimize profitability.

Empirical Review

Chude and Chude (2015) studied the impact of company income taxation on the profitability of companies in Nigeria using Brewery Industry as a case study. Using regression techniques, the result indicated the existence of a long-run equilibrium relationship and a positive significant impact of CIT on the EPS. The study concluded that CIT affects the profitability of Nigerian Breweries significantly. Duru and Okpe (2016) examined the effect of accounts payable management on the financial outcomes of Nigerian domestic and industrial manufacturing enterprises. Regression analysis was used to test the hypotheses. The findings revealed a positive and significant impact of accounts receivable on profitability ratios in Nigerian paint and building/chemical companies.

Nnubia and Okolo (2018) investigated the effect of corporate tax on profitability of business organizations in Nigeria from 2011-2015. Ordinary Least Square (OLS) stated in the form of multiple regressions was used to analyze the data collected. The study revealed that marginal tax rate has a strong positive effect on profitability, the more the effective tax rate increases the better the profitability, and the more average tax rate, the higher the possibility of better profitability of listed banks in Nigeria. Uguru, et al. (2018) examined the effect of working capital management on the profitability of brewery firms in Nigeria. This study adopts the ex-post-facto research design and employed the Ordinary Least Square (OLS) regression technique in analyzing the data. The findings suggest that the management of the number of days account receivables are outstanding, is a significant factor in the accomplishment of the profitability objective of brewery firms in Nigeria.

Abdul-Khadir, et al. (2020) investigated the effect of working capital management (WCM) on the financial performance of quoted conglomerate firms in Nigeria for the period 2006 to 2016. Using Structural Equation Modeling (SEM), the study reveals that account receivable period have a negative effect on financial performance.

Onakpoma, et al. (2023) examined the Effect of Financial Leverage on the organizational Performance of Pharmaceutical Firms in Nigeria from 2009 to 2019. Using regression technique, it was revealed that company income tax and value-added tax positively and significantly affect earnings per share, dividend per share and return on equity. The findings imply that as the debt ratio increases, all the other variables will also increase but in an insignificant amount. Therefore, the debt ratio provides a sound benchmark for measuring earnings per share, dividend per share, and return on equity.

Ekuma, et al. (2023) evaluated the effect of current liabilities on profitability of consumer goods firms in Nigeria. Multiple regression was the tool of analysis using panel data set covering 30 observations from three firms in the consumer goods industry. The findings revealed that Accounts Payable (AP) has a negative but significant effect on Profit for the Year (PFY), Income Tax (IT) has a positive and significant effect on Profit for the Year, while Dividend payable (DP) has negative and non-significant effect on Profit for the Year in consumer goods firms in Nigeria.

Oko, et al. (2023) ascertained whether variations in financial leverage significantly affect financial performance of quoted industrial goods firms in Nigeria. The study analyzed data from financial statement of 14 (fourteen) quoted industrial goods firms in Nigeria covering the period 2010-2022 using regression technique. The study found a significant but negative relationship between debt-to- equity ratio and cash value added. Also, there is a significant but negative relationship between long-term debt ratio and cash value added of industrial goods firms in Nigeria at 5% level of significance.

Olaoye and Omodara (2023) delved into the intricate relationship between Long-Term Debt Ratio (LTDR) and Return on Assets (ROA) among Nigerian manufacturing firms from 2011 to 2019. Utilizing panel data regression analysis, findings indicate a positive average performance among sampled manufacturing firms, with a moderate reliance on long-term debt. The result suggests that an increase in long-term debt is associated with an increase in ROA.

Nwafor (2024) examined the effect of financial leverage on firm's performance in pharmaceutical firms in Nigeria. Ex-post factor research design was considered appropriate for the study together with the study of six years' annual financial report of the listed pharmaceutical companies (2018-2023). Pearson moment correlation was adopted for data analysis. The analysis revealed that Debt ratio and total debt has significant effect on performance.

Gap in Empirical Review

This study addresses a significant gap in the existing literature by investigating the relationship between key financial variables—specifically, trade payables, current tax liabilities, and short-term borrowings—and return on assets (ROA) within the healthcare sector in Nigeria. While previous studies have examined financial performance drivers in various industries, limited research has focused specifically on the healthcare sector in Nigeria, which presents unique challenges and opportunities. By conducting

a comprehensive empirical analysis, this study fills the gap in understanding the financial dynamics and performance determinants specific to healthcare firms in Nigeria.

Furthermore, the study contributes to the existing body of literature by providing empirical evidence on the relationships between trade payables, current tax liabilities, and short-term borrowings with ROA within the Nigerian healthcare context. This empirical validation enhances the understanding of how these financial variables impact the profitability and overall financial health of healthcare firms in Nigeria, thereby informing strategic decision-making and financial management practices within the sector.

METHODOLOGY

The study utilized an ex-post facto research design to analyze historical financial data collected from the annual reports of selected healthcare firms in Nigeria, ensuring data reliability. Focused on the Nigerian healthcare sector, the study used secondary data from audited financial statements of firms listed on the Nigeria Exchange Group (NGX) over a ten-year period from 2013 to 2022. The study population included seven healthcare firms listed on the NGX. However, due to data unavailability from Ekocorp Plc and the market exit of Glaxo Smithkline Nigeria Plc, the final sample comprised five firms: Fidson Healthcare Plc, May and Baker Nigeria Plc, Pharma-Deko Nigeria Plc, Neimeth International Healthcares Plc, and Morison Industries Plc, which provided complete data for the study period.

Model Specification

A correlation model was employed to evaluate current liabilities and financial performance of healthcare firms in Nigeria. In line with Inyama and Ezeugwu (2016), the model was specified as follows:

x represents return on assets
y represents trade payables, current tax liabilities, and short-term borrowings

$$r = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2 \sum (y_i - \bar{y})^2}}$$

Where,

r = Pearson Correlation Coefficient

x_i = x variable samples

y_i = y variable sample

\bar{x} = mean of values in x variable

\bar{y} = mean of values in y variable

DATA ANALYSIS AND DISCUSSION

The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and the probability values of the Jaque-Bera test for normality.

Table 4.1: Descriptive Statistic

	ROA	LOG(TP)	LOG(CTL)	LOG(STB)
Mean	0.003721	13.00574	11.06625	12.84532
Median	0.012074	13.24911	11.48016	13.59147
Maximum	0.576654	15.76367	14.14932	15.70806
Minimum	-0.351852	8.620111	5.961005	9.472705
Std. Dev.	0.189409	1.729084	1.693996	1.859824
Skewness	1.100750	-0.597919	-0.947851	-0.397059
Kurtosis	5.276746	2.651188	3.989804	1.845512
Jarque-Bera	20.89620	3.232706	9.527911	4.090553
Probability	0.000029	0.198622	0.008532	0.129344
Sum	0.186046	650.2868	553.3126	642.2661
Sum Sq. Dev.	1.757921	146.4968	140.6115	169.4884
Observations	50	50	50	50

Source: Author's Computation, 2024 (Eviews-10)

Table 4.2.1 reveals the distribution of the variables under study. The distribution of the variables can be assessed based on their skewness, kurtosis, and the results of the Jarque-Bera test for normality.

ROA: The Return on Assets (ROA) variable exhibits a moderately positively skewed distribution, indicating that the majority of observations tend to cluster towards lower values, with a tail extending towards higher values. Additionally, the high kurtosis value of 5.28 indicates that the distribution is leptokurtic, meaning it has heavier tails and is more peaked than a normal distribution. The Jarque-Bera test confirms non-normality, with a very low p-value, indicating rejection of the null hypothesis of normality.

LOG(TP): The logarithm of Trade Payables (LOG(TP)) exhibits a slight negatively skewed distribution, suggesting a slight concentration of higher values with a tail extending towards lower values. The kurtosis value of 2.65 suggests a slightly leptokurtic distribution, indicating a degree of peakedness relative to a normal distribution. However, the Jarque-Bera test does not reject the null hypothesis of normality, with a relatively high p-value of 0.199. This suggests that, despite some deviations from normality in skewness and kurtosis, the distribution of LOG(TP) may approximate a normal distribution.

LOG(CTL): The logarithm of Current Tax Liabilities (LOG(CTL)) displays a moderately negatively skewed distribution, indicating a concentration of higher values with a tail extending towards lower values. The kurtosis value of 3.99 indicates a leptokurtic distribution, suggesting heavier tails and more peakedness compared to a normal distribution. The Jarque-Bera test rejects the null hypothesis of normality, with a low p-value of 0.009, indicating significant deviations from normality.

LOG(STB): The logarithm of Short-Term Borrowings (LOG(STB)) exhibits a slightly negatively skewed distribution, suggesting a slight concentration of higher values with a tail extending towards lower values. The kurtosis value of 1.85 suggests a slightly platykurtic distribution, indicating lighter tails and less peakedness compared to a normal distribution. The Jarque-Bera test does not reject the null hypothesis of normality, with a p-value of 0.129, suggesting that the distribution of LOG(STB) may approximate a normal distribution, despite some deviations in skewness and kurtosis.

Table 4.2: Panel Regression Analysis (Dependent Variable: ROA)

Variable	Coefficient	Standard Error	t-Stat	p-Value
LOG(TP)	0.017644	0.013105	1.346392	0.1854
LOG(CTL)	0.001623	0.007196	0.225550	0.8226
LOG(STB)	0.048205	0.008698	5.541904	0.0000
C	-0.862929	0.166330	-5.188044	0.0000

$R^2 = 0.82$, Adjusted $R^2 = 0.76$, F-Stat = 15.08696, Prob(F-stat) = 0.000010 DW = 0.99

Source: Author's Computation, 2024 (Eviews-10)

The panel regression analysis conducted on the dataset provides valuable insights into the determinants of Return on Assets (ROA) for the examined firms. ROA, a key indicator of financial performance, serves as the dependent variable in the analysis. The results reveal the effect of the independent variables: the logarithms of Trade Payables (LOG(TP)), Current Tax Liabilities (LOG(CTL)), and Short-Term Borrowings (LOG(STB)), alongside a constant term (C) on ROA.

When considering Trade Payables, the regression coefficient (0.017644) suggests a positive but statistically insignificant association with ROA. This implies that an increase in Trade Payables does not significantly impact ROA, as indicated by the non-significant p-value (0.1854). Similarly, the logarithm of Current Tax Liabilities shows a negligible effect on ROA, with a coefficient of 0.001623 and a non-significant p-value of 0.8226. These findings suggest that variations in Trade Payables and Current Tax Liabilities may not substantially influence the profitability of the examined firms.

Conversely, the analysis highlights Short-Term Borrowings as a significant determinant of ROA. The coefficient (0.048205) indicates a positive and statistically significant relationship, with an associated p-value of 0.0000. This suggests that an increase in Short-Term Borrowings is linked to higher ROA, implying that firms may effectively utilize short-term financing to enhance profitability. The significant impact of Short-Term Borrowings underscores the importance of liquidity management and strategic financing decisions in driving financial performance.

Overall, the regression model demonstrates a high degree of explanatory power, with an R-squared value of 0.82, indicating that approximately 82% of the variation in ROA can be explained by the included variables. The F-statistic, along with its associated probability (0.000010), confirms the overall significance of the model. Additionally, the Durbin-Watson statistic (0.99) suggests no significant autocorrelation in the residuals, validating the robustness of the regression results.

Table 4.3: Spearman Rank-Order Covariance Analysis Result

	TP/ROA	CTL/ROA	STB/ROA
Correlation	0.524514	0.539686	0.538232
t-Statistic	4.268182	4.441391	4.424537
P-Values	0.0001	0.0001	0.0001
Observation	50	50	50

Source: Eviews 10.0 Software, 2024

The Spearman Rank-Order Covariance Analysis presented in Table 4.2.3 explores the relationships between three independent variables: Trade Payables (TP), Current Tax Liabilities (CTL), and Short-

Term Borrowings (STB), and the dependent variable, Return on Assets (ROA). Spearman's rank correlation coefficient is used to measure the strength and direction of the monotonic relationship between these variables. The results are supported by the corresponding t-statistics and p-values, providing insights into the statistical significance of the correlations.

Starting with Trade Payables (TP) and ROA, the correlation coefficient of 0.524514 suggests a moderate positive correlation between Trade Payables and Return on Assets. This indicates that, on average, firms with higher levels of Trade Payables tend to exhibit higher ROA values. The t-statistic of 4.268182 is associated with a very low p-value of 0.0001, indicating statistical significance. This suggests that the observed correlation is unlikely to have occurred by chance, further supporting the strength of the relationship.

Similarly, Current Tax Liabilities (CTL) display a moderate positive correlation with ROA, as indicated by a correlation coefficient of 0.539686. This suggests that firms with higher levels of Current Tax Liabilities tend to have higher ROA values. The associated t-statistic of 4.441391 and low p-value of 0.0001 confirm the statistical significance of this correlation, indicating that it is unlikely to be a result of random variation.

In the case of Short-Term Borrowings (STB) and ROA, a correlation coefficient of 0.538232 suggests a moderate positive correlation between the two variables. This implies that firms with higher levels of Short-Term Borrowings tend to have higher ROA values. The corresponding t-statistic of 4.424537 and low p-value of 0.0001 provide further evidence of the statistical significance of this correlation, indicating that it is unlikely to be due to chance.

Overall, the Spearman Rank-Order Covariance Analysis reveals statistically significant positive correlations between Trade Payables, Current Tax Liabilities, Short-Term Borrowings, and Return on Assets. These findings suggest that firms in the dataset tend to achieve higher returns on assets when they have higher levels of Trade Payables, Current Tax Liabilities, and Short-Term Borrowings.

TEST OF HYPOTHESIS

The three hypotheses formulated in chapter one were subjected to empirical testing using the following decision rule:

Decision Rule: If the correlation coefficient (r) exceeds 0.7, the null hypothesis is rejected implying a strong relationship. Conversely, if the correlation coefficient is less than or equal to 0.7, the null hypothesis is accepted. This implies that the variables share a weak relationship. However, when the t-statistic is greater than 2.0 and the p-value, less than 0.5, the relationship between the two variables under consideration is adjudged to be statistically significant regardless of the strength of the relationship. If otherwise, the relationship is considered statistically nonsignificant.

Test of Hypothesis One

H_0 : Trade payables have a weak relationship with return on assets of healthcare firms in Nigeria.

H_1 : Trade payables have a strong relationship with return on assets of healthcare firms in Nigeria.

Step 2: Presentation of Test Results

Table 4.2.3: Spearman Rank-Order covariance analysis result.

Decision: Since the correlation coefficient (0.524514) is less than 0.7, and the correlation is statistically significant with a low p-value, the null hypothesis is accepted, indicating a weak but significant relationship between Trade Payables and Return on Assets.

Test of Hypothesis Two

H₀: Current tax liabilities have a weak relationship with return on assets of healthcare firms in Nigeria.

H₁: Current tax liabilities have a strong relationship with return on assets of healthcare firms in Nigeria.

Presentation of Test Results

Table 4.2.3: Spearman Rank-Order covariance analysis result.

Decision: Similarly, since the correlation coefficient (0.539686) is less than 0.7, and the correlation is statistically significant with a low p-value, the null hypothesis is accepted, suggesting a weak but significant relationship between Current Tax Liabilities and Return on Assets.

Test of Hypothesis Three

H₀: Short-term borrowings have a weak association with return on assets of healthcare firms in Nigeria.

H₁: Short-term borrowings have a strong association with return on assets of healthcare firms in Nigeria.

Presentation of Test Results

Table 4.2.3: Spearman Rank-Order covariance analysis result.

Decision: Likewise, since the correlation coefficient (0.538232) is less than 0.7, and the correlation is statistically significant with a low p-value, the null hypothesis is accepted, implying a weak but significant relationship between Short-Term Borrowings and Return on Assets.

DISCUSSION OF FINDINGS

The observed weak but significant positive relationship between Trade Payables and Return on Assets (ROA) may be attributed to several factors within the operational and financial dynamics of the examined firms. Firstly, the utilization of trade payables as a form of short-term financing strategy could contribute to the positive association with ROA. The findings from related studies in Nigeria reinforce the observed weak but significant positive relationship between Trade Payables and Return on Assets (ROA). Efficient working capital management, highlighted in studies by Duru (2014) and Uguru et al. (2018), positively impacts profitability through factors such as accounts receivable management.

The weak but significant positive relationship between Current Tax Liabilities (CTL) and Return on Assets (ROA) in Nigerian healthcare firms likely arises from the sector's regulatory and financial context. Healthcare firms operate under strict tax obligations and government policies, where fluctuations in tax liabilities may indicate changes in operational performance and revenue. Although the correlation is weak, its significance suggests that shifts in CTL modestly impact ROA, influenced by government funding and reimbursements that affect asset utilization and profitability. Additionally, healthcare firms' tax management strategies—like tax planning, timing of payments, use of tax incentives, and reporting practices—help align tax obligations with profitability goals. Prior studies, such as Chude and Chude (2015) and Onakpoma et al. (2023), support this connection, demonstrating that company income tax positively influences profitability metrics within Nigerian healthcare and pharmaceutical firms.

The observed weak but significant positive relationship between Short-Term Borrowings (STB) and Return on Assets (ROA) within the context of Nigerian healthcare firms may be attributed to several factors inherent to the industry's financial dynamics and operational requirements. Firstly, short-term borrowings provide healthcare firms with immediate access to capital, enabling them to address urgent financial needs and seize business opportunities promptly. Despite the weak correlation, the statistical significance suggests that variations in short-term borrowings can impact ROA, albeit within a limited range. This is in tandem with the findings of Ekuma, et al. (2023) on current liabilities and profitability of firms in consumer goods sector. Healthcare firms may strategically utilize short-term borrowings to fund investments in revenue-generating assets or cover operational expenses, thereby enhancing asset utilization and ultimately contributing to improved ROA.

CONCLUSION AND RECOMMENDATIONS

The study reveals key financial interactions within Nigerian healthcare firms, focusing on how current liabilities affect financial performance. Trade payables show a weak but significant positive relationship with Return on Assets (ROA), suggesting that effective management of payables can enhance profitability and resource utilization. Similarly, current tax liabilities also correlate weakly but positively with ROA, indicating that variations in tax obligations influence financial performance. Additionally, short-term borrowings display a positive relationship with ROA, emphasizing the role of short-term financing in enhancing operational efficiency. Although these relationships are statistically significant, their weak nature suggests other unexamined factors may also impact ROA in this sector.

To improve financial performance, healthcare firms should manage trade payables effectively by negotiating favorable terms with suppliers and establishing clear communication. Leveraging early payment discounts, maintaining good supplier relations, and enhancing inventory management can streamline procurement and reduce stockouts. Efficient tax management is also vital, and firms should adopt proactive strategies to minimize liabilities while ensuring compliance. Utilizing tax incentives, investing in tax management systems, and engaging tax professionals can help mitigate risks and optimize cash flow. Lastly, strategic short-term borrowing offers financial flexibility for growth and operational needs. Conducting cost-benefit analyses and establishing clear policies for borrowing can prevent overleveraging and support sustainable financial health.

This study contributes to understanding the financial dynamics of Nigerian healthcare firms by exploring how trade payables, current tax liabilities, and short-term borrowings impact ROA. It fills a gap in the literature, as few studies have empirically examined these financial variables within the Nigerian healthcare context. By analyzing these relationships, the study provides valuable insights into sector-specific financial determinants, supporting a more informed approach to managing profitability and financial health in healthcare. The findings highlight the strategic importance of managing trade payables, tax obligations, and short-term borrowing to enhance financial performance in Nigerian healthcare. For policymakers, healthcare practitioners, and investors, these insights offer a foundation for developing policies and strategies that strengthen the sector's financial sustainability. This study also contributes to empirical literature, validating the importance of financial management practices in supporting the healthcare industry's growth and operational efficiency in Nigeria.

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