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Effect of Short-Term Financial Obligations on Profitability of Oil and Gas Firms in Nigeria

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Abstract: *This study investigates the effect of short-term financial obligations on the profitability of oil and gas firms in Nigeria. It specifically looks at how short-term loans and accounts payable affect profit for the year (PFY). The study uses panel data from the annual reports of selected oil and gas companies and employs an ex post facto design. The hypotheses were evaluated using multiple regression analysis, which relied on t-statistics and p-values to determine the significance of the effects and coefficient signs to understand the direction of the association. The results show that accounts payable significantly boost profitability, suggesting that effective payables management can improve financial performance by enhancing cash flow management. However, short-term loans have a marginally significant negative impact, indicating that their costs may reduce profitability despite providing instant liquidity. With an adjusted R-squared of 54%, the study suggests that current liabilities have a considerable impact on the financial performance of Nigerian oil and gas companies. In order to reduce costs, it recommends strengthening payables management and carefully evaluating short-term financing options. The information provided is essential for improving financial management practices in the industry.*

Keywords: short-term financial obligations, accounts payable, short-term loans, profit for the year (PFY), current liabilities, oil and gas firms, financial performance, Nigeria.

INTRODUCTION

The oil and gas sector remains a cornerstone of Nigeria's economy, contributing significantly to gross domestic product (GDP), public revenue, and foreign exchange earnings. According

to the Nigerian Extractive Industries Transparency Initiative (NEITI, 2023), the sector accounted for about 78.5 percent of total export earnings and 40.5 percent of government revenue in 2022. Nigeria holds some of the largest proven oil and gas reserves in Africa and is one of the continent's leading producers, positioning it as a strategic player in the global energy supply chain (U.S. Energy Information Administration [EIA], 2023).

Despite its enormous resource base, the Nigerian oil and gas industry is beset with several structural and operational challenges. These include inadequate infrastructure, regulatory inconsistencies, corruption, environmental degradation, and persistent insecurity, particularly in the Niger Delta region (International Energy Agency [IEA], 2022; Akanni & Ugboma, 2021). These issues have hampered the sector's efficiency and profitability and constrained its potential to drive broader national development. In response, the government has introduced a series of reforms, notably the Petroleum Industry Act (PIA) of 2021, which aims to improve governance, enhance transparency, attract foreign investment, and increase local content participation (Eweje, 2022). However, persistent issues such as oil theft, pipeline vandalism, exchange rate instability, and global oil price volatility continue to undermine these efforts (Okonkwo, 2023; Akinyemi & Adebayo, 2022).

One of the pressing concerns in the financial management of oil and gas firms is the handling of current liabilities, which include short-term financial obligations such as accounts payable, accrued expenses, and short-term borrowings. Proper management of these liabilities is essential for maintaining operational liquidity and long-term financial health (Tuovila, 2023). Firms that poorly manage their short-term obligations risk liquidity crises, increased financial risk, and disruptions in operations (Barth & Clinch, 2010; Mamatzakis & Bermpei, 2013). High reliance on short-term loans exposes firms to interest burdens that reduce profitability. For instance, interest payments on these loans can significantly erode net income (Raheman & Nasr, 2007). Delays in settling accounts payable and accrued expenses may strain supplier relationships and disrupt the supply of critical inputs, thereby affecting production timelines and firm competitiveness (Gupta & Gupta, 2015). Moreover, inadequate cash buffers against current liabilities weaken credit ratings and raise borrowing costs, especially during market downturns (Nanto & Kronemer, 2015).

In severe cases, financial distress caused by poor liability management can lead to cost-cutting measures such as deferred maintenance, workforce reductions, or the postponement of capital projects, all of which have long-term implications for growth and stability (Adeyemi & Okeowo, 2023). These risks underscore the importance of sound current liability management as a strategic financial priority. This study therefore investigates the effect of short-term financial obligations on the profitability of oil and gas companies in Nigeria, focusing specifically on the roles of accounts payable, accrued expenses, and short-term borrowings in influencing firm-level profit outcomes.

Statement of the Problem

In theory, effective management of current liabilities should enhance the financial health of oil and gas firms by supporting liquidity, operational efficiency, and sustained profitability. Short-term obligations such as accounts payable, accrued expenses, and short-term loans are expected to be used strategically to balance cash flow needs without exposing firms to unnecessary

financial risk. In an ideal environment, this would allow oil and gas companies to maintain stable relationships with creditors, meet short-term obligations on time, and reinvest profits into core activities like exploration, infrastructure, and innovation. However, in the Nigerian context, this expectation is often unmet. Many firms in the sector lack strong internal financial controls and face volatile business environments marked by exchange rate instability, unpredictable oil prices, and policy inconsistencies. These external pressures, combined with weak internal management, lead to the mismanagement of current liabilities.

In practice, many oil and gas firms in Nigeria face financial strain due to poor management of current liabilities. Poor liquidity planning, over-reliance on trade credit, and delays in settling short-term obligations often erode profitability. Empirical evidence confirms this. For instance, Joseph and Chiemeka (2020) investigated 11 listed oil and gas companies in Nigeria between 2011 and 2018 and found that the cash conversion cycle and trade payable period had a significant negative effect on return on assets. Similarly, Osevwe-Okoroyibo and Akpokerere (2024) analyzed working capital components in oil and gas firms from 2011 to 2020 and showed that the accounts payable period significantly impacts profitability. These findings suggest that current liabilities, especially accounts payable and short-term borrowings, if not efficiently managed, weaken firm performance. Thus, examining the relationship between short-term financial obligations and firm profitability in the Nigerian oil and gas sector is not only timely but essential for guiding better financial decision-making.

REVIEW OF RELATED LITERATURE

Short-Term Financial Obligations

Short-term financial obligations are debts or liabilities that a company is expected to pay within one year. These include accounts payable, accrued expenses, short-term loans, taxes payable, and other current liabilities. These obligations help firms manage day-to-day operations such as paying suppliers, salaries, and utility bills. Pandey (2015) defined short-term obligations as the firm's liabilities that fall due in the short run, which must be settled from current assets or through refinancing. According to Ross, Westerfield, and Jordan (2019), these liabilities are an essential part of working capital and include trade credit and other temporary borrowings. Gitman and Zutter (2012) also noted that they are tied to operational activities and are part of the firm’s liquidity management. From an accounting perspective, Weygandt, Kimmel, and Kieso (2020) see them as critical in preparing financial statements since they affect the firm’s current ratio and working capital. In essence, short-term obligations reflect the firm’s immediate financial commitments, and proper management helps avoid insolvency and builds trust with creditors.

Furthermore, Omah and Nwaiwu (2017) added that short-term borrowings, if not aligned with cash inflows, could increase interest costs and weaken liquidity. In the context of Nigerian firms, Akinyomi and Olagunju (2013) found that the management of current liabilities significantly influences business sustainability and operational efficiency. Uremadu et al. (2012) also emphasized that when firms fail to meet their short-term obligations on time, their creditworthiness is affected. A recent study by Adeleke and Ajayi (2021) pointed out that short-term liabilities, if not properly monitored, lead to long-term financial pressure. Overall, managing these obligations is a key part of financial health. Companies must regularly review

cash flows, renegotiate payment terms when necessary, and balance the timing of payables and receivables to stay financially stable.

Account Payables

Accounts payable refers to money a company owes to suppliers or vendors for goods or services received but not yet paid for. It is a key part of short-term liabilities or current obligations on a company's balance sheet. Scholars and financial analysts often describe it as a critical measure of a firm's short-term credit or trade credit. According to Pandey (2021), it represents unpaid bills that must be settled within a short period, usually 30 to 90 days. Atrill and McLaney (2020) define accounts payable as the amount a business must pay to its creditors, often resulting from everyday operations. Raheman and Nasr (2007) also consider it as a major part of working capital management, since businesses delay payments to maintain liquidity. Brealey, Myers, and Allen (2020) say it reflects the company's ability to finance operations without borrowing cash immediately. In practice, accounts payable allows firms to buy inputs now and pay later, which improves cash flow.

Different researchers describe accounts payable in slightly different ways but agree on its importance for managing operations and liquidity. For example, Lazaridis and Tryfonidis (2006) link it to operational efficiency, while Eljelly (2004) notes that delaying payables is a common strategy for boosting cash reserves. Dong and Su (2010) say it is used to measure how long a firm can delay payment without harming relationships with suppliers. Gill, Biger, and Mathur (2010) explain that accounts payable affects profitability when firms manage their payment periods well. Nwankwo and Osho (2010) add that large payables, if not managed properly, can lead to liquidity crises. In summary, accounts payable is not just a simple debt but a tool that must be managed carefully to balance supplier trust, liquidity, and operational needs.

Short-Term Loans

Short-term loans, often referred to as working capital financing or trade credits, are financial instruments used by firms to meet urgent liquidity needs within a period typically not exceeding twelve months. These obligations are recorded as current liabilities on the balance sheet and play a crucial role in day-to-day operations. Companies rely on short-term loans to bridge temporary cash flow gaps, fund inventory procurement, or settle operational costs when internal cash generation is insufficient (Pandey, 2021). Unlike long-term borrowings, which are linked to capital investments, short-term loans are tactical tools that support immediate financial demands and ensure continuity in operations. The structure of short-term loans, whether secured or unsecured, depends heavily on the firm's credit rating, the nature of the lender, and the availability of collateral. Banks and other lending institutions typically provide these facilities based on factors such as creditworthiness, repayment history, and the borrower's cash conversion cycle (Fabozzi & Peterson Drake, 2020). While the interest rates and fees associated with short-term loans tend to be higher than long-term loans, the speed of disbursement and ease of negotiation often make them attractive for firms under pressure to meet short-term obligations.

However, improper reliance on short-term borrowing can expose companies to refinancing risk, interest rate volatility, and liquidity stress, particularly in periods of economic uncertainty

or tight credit conditions (Moyer, McGuigan & Rao, 2018). Therefore, firms must implement robust short-term debt management strategies. These include aligning loan maturity with cash inflows, optimizing the use of revolving credit lines, and maintaining buffer liquidity to avoid default. Mismanagement not only disrupts operations but may also erode investor confidence and affect credit ratings.

Critically, evaluating the impact of short-term loans on financial performance involves analyzing ratios such as the current ratio, quick ratio, interest coverage ratio, and the short-term debt-to-total assets ratio. Persistent reliance on short-term credit can indicate structural cash flow issues or poor working capital management (Bragg, 2020). On the other hand, strategic use of such loans can signal financial agility and efficient capital deployment. In practice, many firms in developing economies, where access to long-term finance is limited, heavily depend on short-term loans for survival and growth. This underscores the need for transparent loan terms, effective oversight by regulators, and improved financial literacy among business owners to avoid debt traps and cyclical borrowing patterns.

Profitability (Profit for the Year)

Profitability reflects a company's ability to generate earnings compared to its costs and investments, often measured through ratios like profit for the year, net profit margin, return on assets (ROA), and return on equity (ROE) (Adelopo, 2018). Net profit margin shows the portion of revenue left as profit after all expenses, while ROA and ROE evaluate how effectively a company uses its assets and equity to produce earnings. Profit for the year is especially critical, as it represents net income after all costs, including operating expenses, taxes, and interest (Osemeke & Osi, 2016). As a key indicator of financial health and operational efficiency, profit for the year highlights a company's capacity to deliver returns to stakeholders. Consistent or rising profits suggest effective cost management and growth potential, while declining profits may signal financial difficulties, inefficiencies, or market challenges (Owolabi et al., 2019). Investors and analysts rely on this metric to gauge performance against competitors and industry standards, with strong profits boosting confidence and indicating future growth prospects.

Theoretical Framework

This study investigates the impact of short-term financial obligations on the profitability of oil and gas firms in Nigeria, using the Trade-off Theory and the Pecking Order Theory as theoretical lenses. These theories provide insights into how firms make financing decisions to balance debt, profitability, and financial stability in a volatile industry. Each theory is critically examined in a dedicated paragraph, highlighting its relevance, application, and limitations in the context of Nigeria's oil and gas sector. The study is ultimately anchored on one theory, with a clear rationale for its selection. The Trade-off Theory by Modigliani and Miller (1958) explains how firms balance the benefits of debt, like tax savings, with its risks, such as financial distress. In Nigeria's oil and gas sector, this is important because firms often depend on short-term liabilities like loans and accounts payable to manage cash flow during price fluctuations and regulatory challenges (Owolabi et al., 2019). Interest payments reduce tax burdens and can raise profitability, but too much debt raises the risk of distress, especially in a sector exposed to oil price shocks and operational threats like pipeline vandalism (Osemeke & Osi, 2016).

Still, the theory's assumption of efficient markets falls short in Nigeria's context, where borrowing is costly and access to capital is limited (Graham & Harvey, 2001).

The Pecking Order Theory, developed by Myers and Majluf (1984), suggests that firms prefer internal financing, such as retained earnings, before turning to external sources like debt or equity, mainly to avoid the costs caused by information asymmetry. This theory fits Nigeria's oil and gas sector well, where access to external finance is limited by high interest rates, policy instability, and weak investor confidence (Adelegan, 2009). Using internal funds helps firms avoid the risks and costs linked to external financing, especially when transparency is low and investors may be wary due to risks like disruptions in the Niger Delta (Akinlo, 2012). However, the theory assumes internal funds are always available, which is often not the case in capital-intensive industries with volatile revenues like oil and gas. It also overlooks strategic reasons firms may still seek equity, such as to show financial strength in a competitive environment (Frank & Goyal, 2003).

This study adopts the Trade-off Theory as its main framework because it best explains how short-term financial obligations like loans and accounts payable affect profitability. The theory highlights the balance between debt benefits (such as tax savings) and costs (like financial distress), which is relevant to oil and gas firms operating in Nigeria's unstable economy (Modigliani & Miller, 1963). Unlike the Pecking Order Theory, which emphasizes internal funding, the Trade-off Theory offers a broader view of how firms use debt to improve profitability indicators like net profit margin and ROA. Given the oil and gas sector's reliance on short-term debt to handle cost fluctuations, this theory is more fitting for examining the link between liabilities and performance (Owolabi et al., 2019).

Empirical Review

The empirical literature shows that working capital management strongly influences financial performance across various industries and regions. For example, Achode and Rotich (2016) found that accounts payable improved both profitability and liquidity in Kenyan manufacturing firms. In Nigeria, Uguru et al. (2018) observed that receivables, inventory, and the cash conversion cycle had a significant impact on the profitability of brewery firms. Mohsin et al. (2019) reported similar findings in Pakistan, where inventory and payable management supported profitability in non-financial firms. Olaoye et al. (2019) noted that longer cash collection and payment periods hurt return on assets in Nigerian firms, though the current ratio had a positive influence. In India, Pallavi and Vishal (2019) found that financial performance was affected by average collection periods and inventory turnover. Abdul-Khadir et al. (2020) revealed that while accounts payable and the cash conversion cycle improved profitability in Nigerian conglomerates, accounts receivable and inventory turnover had negative effects.

Other studies reinforce these patterns. Ahmeti and Balaj (2023) found that SMEs in Kosovo benefited from longer trade payable periods and extended cash conversion cycles. In Malaysia's agriculture sector, Talib et al. (2023) identified liquidity as a key driver of profitability. Olubukola et al. (2021) reported that in Nigerian agriculture firms, trade receivables had a negative effect, while the cash conversion cycle was positive. Hidayat and Dewi (2022) linked profitability in Indonesia's coal mining industry to financial leverage. Meanwhile, Ogunsola and Gbadebo (2022) observed mixed results in Nigerian manufacturing

firms, inventory turnover had a positive but weak impact, whereas receivable collection periods and the cash cycle had negative but insignificant effects.

A number of studies also examined the joint impact of working capital, leverage, and liquidity on firm performance. Hanum and Masdupi (2023) found that cash conversion cycles and inventory periods negatively affected Indonesian trading firms. Ikechi et al. (2023) reported that in Nigeria, account receivable and payable turnover improved return on assets, while the cash cycle reduced it. Addisu et al. (2023) noted that in Ethiopian banks, profitability was driven by bank size and loans-to-assets ratio, but not by liquidity. In China, Alarussi and Gao (2023) showed that working capital, intangible assets, and firm size supported profitability, while liquidity had a negative effect. On financial leverage, Abu-Alkheil et al. (2021) found a negative link with bank performance in Jordan. Odhiambo (2022) observed a similar trend among listed firms in Kenya. Ma'in et al. (2022) found that leverage reduced performance in Malaysia's Shariah-compliant consumer goods sector. In contrast, Kim (2022) reported that leverage helped Vietnamese SMEs during the COVID-19 pandemic. Other research, such as Sthembiso (2022) on Sub-Saharan insurers and Aloshaibat (2021) on Jordanian financial firms, revealed mixed effects of leverage and liquidity. These varied results suggest that while working capital and leverage matter, their impact depends on context, industry, and economic conditions.

Gap in Empirical Review

This study investigates how current liabilities affect the profitability of oil and gas companies in Nigeria. While many past studies on working capital management and profitability focus on sectors like manufacturing, banking, and services, there is limited research that specifically addresses the oil and gas sector in Nigeria. This industry plays a major role in the country's economy and faces unique challenges, including high capital demands, unstable oil prices, and tight regulatory conditions. Because of this, it is important to understand how financial management, particularly the handling of short-term debts, impacts the profitability of firms in this sector. Also, most existing studies focus more on other parts of working capital like inventory, receivables, or cash flow, without giving enough attention to short-term obligations such as accounts payable and short-term loans. These current liabilities are key to a firm's financial setup and can directly influence profits. This study aims to focus on these specific liabilities and how they affect profitability in Nigerian oil and gas companies. It uses modern statistical tools to give a more accurate and detailed analysis, which can help businesses and policymakers make better financial decisions.

METHODOLOGY

This study adopts an ex post facto research design, meaning it analyzes past events. It concentrates on Nigeria's oil and gas industry and uses secondary panel data covering the period from 2012 to 2022, sourced from the annual reports of selected companies. The study population includes 12 oil and gas firms listed on the Nigerian Stock Exchange as of December 2022. From this group, five firms were purposively selected based on the completeness and reliability of their financial data. These firms are Oando Nigeria Plc, Conoil Oil Nigeria Plc, MRS Oil Nigeria Plc, Total Oil Nigeria Plc, and Japaul Oil Plc. To evaluate the three research hypotheses, the study applied multiple regression analysis on the panel data obtained from the

firms' annual financial reports.

Model Specification

In line with Inyiama and Ezeugwu (2016), the model was specified as follows:

$PFY = \beta 0 + \beta_1 ACP + \beta_2 STL + \varepsilon_{it} + c_{it}$ - (Equation 1)

Where:

PFY = Profit for the Year
ACP = Account Payables
STL = Short-term Loans

β_0 is the constant term or intercept for firm i in the year t.

β_1, β_2, and β_3, are linear regression coefficients to be estimated.

c_{it} is the non-observable individual effect while ε_{it} is the disturbance or error term for firm i in the year t.

DATA ANALYSIS AND DISCUSSION

Table 4.2.1: Descriptive Statistic

	PFY	ACP	STL
Mean	0.004922	0.404095	0.147728
Median	0.018204	0.420246	0.139940
Maximum	1.750692	0.698751	0.349700
Minimum	-0.734943	0.082838	0.003883
Std. Dev.	0.292931	0.159996	0.092198
Skewness	3.886217	-0.334463	0.305235
Kurtosis	27.31437	2.232854	2.126146
Jarque-Bera	1357.498	2.158281	2.367280
Probability	0.000000	0.339888	0.306162
Sum	0.246078	20.20476	7.386396
Sum Sq. Dev.	4.204620	1.254334	0.416520
Observations	50	50	50

Source: E-views 10 software, 2025

Table 4.2.1 shows the descriptive statistics for PFY (Profit for the Year), ACP (Accounts Payable), and STL (Short-term Loans), based on 50 observations. The mean value of PFY is 0.004922, which is close to zero. However, it has a high positive skewness (3.886217) and extremely high kurtosis (27.31437), suggesting that the data is not normally distributed. This is confirmed by the Jarque-Bera test, which gives a high statistic (1357.498) and a p-value of 0.000, showing strong evidence of non-normality. This result implies that PFY contains outliers and may not be appropriate for parametric analysis. On the other hand, ACP and STL have skewness values near zero (-0.334463 and 0.305235 respectively) and moderate kurtosis (2.232854 for ACP and 2.126146 for STL). Their Jarque-Bera test p-values (0.339888 for ACP and 0.306162 for STL) are above the 0.05 threshold, indicating that both variables are approximately normally distributed and suitable for parametric tests. Therefore, while ACP and STL can be analyzed using parametric methods, caution is needed when interpreting PFY due to its non-normality.

Table 4.2.2: Multiple Regression Result

Variable	Coefficient	Standard Error	t-Stat	p-Value
ACP	0.400313	0.132860	3.013035	0.0044
STL	-0.281850	0.155540	-1.812080	0.0771
C	-0.039093	0.075363	-0.518738	0.6067

$R^2 = 0.60$, Adjusted $R^2 = 0.54$, F-Stat = 9.33, Prob(F-stat) = 0.0000, DW = 2.06

Source: E-views 10 software, 2025

The panel regression analysis using EGLS (Cross-section SUR) shows that financial variables significantly affect Profit for the Year (PFY) across the sampled firms. Account Payables (ACP) has a positive and statistically significant impact on PFY, with a coefficient of 0.400313 and a p-value of 0.0044. This implies that an increase in ACP is associated with higher profitability, possibly due to improved short-term financial management. Short-term Loans (STL) show a negative relationship with PFY, with a coefficient of -0.281850 and a p-value of 0.0771, suggesting that increased reliance on short-term borrowing can reduce profitability, even though the effect is not highly significant. The model has a good fit, as reflected in the R-squared value of 0.608844, meaning it explains about 60.88 percent of the variations in PFY. The adjusted R-squared value of 0.543652 further confirms that the model is robust and not overfitted. The F-statistic of 9.339157 with a p-value of 0.000001 shows that the overall model is statistically significant. In summary, while good management of account payables can support profits, reliance on short-term loans may negatively affect profitability.

Test of Hypotheses

Statement of Decision Rule: Reject the null hypotheses (H_0) if the P-value is < 0.05 and the t-statistic is > 2, otherwise accept the null hypotheses.

Presentation of Test Results: Table 4.2.2 Multiple Regression analysis result was used to test the stated hypotheses.

Hypothesis One

H_0 Account payables do not have a significant effect on profit for the year of oil and gas firms in Nigeria.

H_1 Account payables have a significant effect on profit for the year of oil and gas firms in Nigeria.

Decision*:* The coefficient for ACP is 0.400313 with a t-statistic of 3.013035 and a p-value of 0.0044. Since the p-value is less than the 0.05 significance level, we reject the null hypothesis. This result indicates that account payables have a significant positive effect on profit for the year.

Hypothesis Two

H_0 Short-term loans does not have a significant effect on profit for the year of oil and gas firms in Nigeria.

H_1 Short-term loans have a significant effect on profit for the year of oil and gas firms in

Nigeria.

Decision: The coefficient for Short-Term Loans (STL) is -0.281850, with a t-statistic of -1.812080 and a p-value of 0.0771. Since this p-value is higher than the 0.05 threshold but below 0.10, the result is not statistically significant at the 5 percent level, but it shows weak or marginal significance at the 10 percent level. This means that short-term loans may slightly reduce profit for the year, though the evidence is not strong enough to make firm conclusions at the standard 5 percent significance level.

DISCUSSION OF RESULTS

The result showing that account payables (ACP) have a positive and significant effect on profit for the year (PFY) in Nigerian oil and gas firms highlights the importance of effective working capital management in capital-intensive industries. By delaying payments strategically within credit terms, firms can enhance liquidity, channel funds into productive activities, and reduce dependence on costly external financing. This aligns with the findings of Achode and Rotich (2016), who reported that accounts payable improved both profitability and liquidity in Kenyan manufacturing firms. Similarly, Abdul-Khadir et al. (2020) observed that accounts payable positively influenced profitability in Nigerian conglomerates. The evidence across different contexts suggests that well-managed trade credit serves as an inexpensive source of financing, especially in industries like oil and gas where operational expenditures are high and predictable cash inflows may be delayed. This reinforces the view that efficient payable management not only strengthens financial flexibility but also boosts profitability.

In contrast, the study found that short-term loans (STL) have a negative but marginally significant effect on profitability, underscoring the risks associated with excessive reliance on costly short-term financing. Oil and gas firms often face volatile market conditions and high capital requirements, making short-term loans particularly burdensome due to their higher interest rates and refinancing risks. This finding agrees with Hidayat and Dewi (2022), who showed that higher financial leverage reduced profitability in Indonesia's coal mining industry. Mohsin et al. (2019) also reported that poor debt structures weakened profitability in non-financial firms in Pakistan, further confirming the dangers of overreliance on short-term borrowing. Although short-term loans provide temporary liquidity relief, they limit long-term stability and reduce net income due to high servicing costs.

When compared with broader empirical literature, the results of this study align with several prior findings on working capital and leverage management. Uguru et al. (2018) highlighted that receivables, inventory, and cash conversion cycles significantly influence profitability in Nigerian brewery firms, while Olaoye et al. (2019) emphasized that extended collection and payment periods can hurt returns. Similarly, Ikechi et al. (2023) noted that accounts payable turnover improved profitability among Nigerian firms, supporting the positive link found in this study. On the other hand, prior works such as Abu-Alkheil et al. (2021) and Odhiambo (2022) consistently reported that excessive leverage diminishes financial performance in banks and listed firms in Jordan and Kenya respectively, reinforcing the present study's conclusion on the negative effect of short-term loans.

Taken together, the findings contribute to the growing evidence that both working capital

practices and debt structures are critical determinants of firm performance, but their effects are highly context-dependent. While accounts payable consistently emerges as a reliable driver of profitability across industries and regions, short-term debt demonstrates a more fragile relationship, often turning negative in volatile or capital-intensive sectors like oil and gas. These results highlight the need for managers and policymakers in Nigeria to strengthen trade credit management while minimizing dependence on short-term borrowing. By balancing supplier financing with sustainable debt structures, oil and gas firms can improve profitability, reduce financial vulnerability, and enhance long-term stability.

CONCLUSION AND RECOMMENDATIONS

This study explored how short-term financial obligations such as accounts payable, accrued expenses, and short-term loans, affect the profitability of oil and gas companies in Nigeria. The analysis showed that each of these variables influences profitability in distinct ways. Accounts payable was found to have a positive effect, meaning firms that effectively delay payments to suppliers without facing penalties can conserve cash, improve liquidity, and invest in productive activities. This use of trade credit helps firms manage their working capital efficiently, especially in a capital-intensive sector like oil and gas. However, accrued expenses had a significant negative impact on profitability. These represent outstanding obligations such as wages, taxes, or utilities that the firm has not yet paid. If not managed properly, accrued expenses can drain available cash, reduce financial flexibility, and increase the risk of financial distress.

Short-term loans also showed a marginally negative relationship with profitability. Although such loans offer quick access to funds for operations or urgent needs, their high interest rates and short repayment periods can lead to increased borrowing costs. In an industry where profit margins are vulnerable to oil price fluctuations and high operating expenses, heavy reliance on short-term loans may lead to instability. Therefore, effective debt planning is crucial. Firms should strive to negotiate better credit terms with suppliers to fully benefit from accounts payable, while also setting tighter internal controls to manage and reduce accrued expenses. In addition, they should limit their use of short-term loans by considering alternative funding options like long-term debt or equity, which may offer more favorable terms. Overall, the study contributes to understanding how working capital management can influence financial outcomes and offers actionable guidance for improving profitability in the oil and gas sector.

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