IJAAF; Vol. 9, No. 2, Spring 2025, Serial 31

Iranian Journal of
Accounting, Auditing & Finance

Ferdowsi University of Mashhad

Quarterly

RESEARCH ARTICLE

Receivables and Tax Payable in Manufacturing Companies: Panel Analysis Reactions

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How to cite this article:
Adegbite, T. Adejare (2025). Receivables and Tax Payable in Manufacturing Companies: Panel Analysis Reactions. Iranian Journal of Accounting, Auditing and Finance, 9(2), 21-42. doi: 10.22067/ijaaf.2025.45464.1464
https://ijaaf.um.ac.ir/article_45464.html

ARTICLE INFO

Article History
Received: 2024-05-19
Accepted: 2024-11-15
Published online: 2025-04-17

Keywords:
Audit Committee Quality, Receivable, Taxable income, Tax payable, Total Asset

Abstract

This study examined the effect of receivables on taxes payable in listed Nigerian manufacturing companies. Data collected from the annual publications of selected thirty-four (34) Nigeria manufacturing companies between 2011 and 2023 were analysed with analytical tools such as pooled regression, fixed effects and random effects, and the Hausman test. The heteroskedasticity and VIF were also employed to determine the multicollinearity in the variables employed. Pearson Product Moment correlation (PPMC) was also used to determine the relationship among the variables. It was noted from the results attained from the analysis that receivables have a positive effect on payable taxes. It was invariably discovered that PBT, taxable income and revenue positively influenced tax payable. Still, total assets were negative, and audit committee quality negatively affected tax payable because a one percent increment in total assets and audit committee quality brought down tax payable. Conclusively, receivables significantly positively affect taxes payable in Nigerian manufacturing companies. It is recommended that receivable monitoring mechanisms or devices should be put in place by the government to monitor all the receivables of the organization to prevent artificial dwindling in tax payable and to enhance transparency in the financial reporting of manufacturing companies which will contribute to a more accurate and standardized assessment of tax implications.

https://doi.org/10.22067/ijaaf.2025.45464.1464

NUMBER OF REFERENCES
43

NUMBER OF FIGURES
-

NUMBER OF TABLES
6

Homepage: https://ijaaf.um.ac.ir
E-Issn: 2717-4131
P-Issn: 2588-6142

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1. Introduction

A rational organisation manages accounts receivables promptly for effective and efficient collection of all receivables without losing and missing sales from intense collection techniques. Managing accounts receivables maximizes enterprise value by balancing risk, profitability and liquidity. Wanguu and Kipkirui (2015) opined that receivables maintenance is not for bad debts' risk minimization nor sales maximization but for sales growth, which creates a vacuum for customers' credit sales.

It is opined by Douglas et al. (2018) that many organizations flourish on credit sales, which therefore encourages effective accounts receivable management as a crucial assessment of profit maximization. This translated into many firms indulging in sales enlargement with receivables for profit enlargement.

Account receivable, when properly managed, assists in debt collection due and helps in achieving organization cash flow requirements. This further helps eradicate the overtrading problem where an organization transacts or undercapitalizes because of huge debts outside an organization. Accounts receivable are considered significant and pertinent in the organisation's financial statement, apart from inventories, constituting a large proportion of the organisation's current assets. Capital invested in account receivables is nearly the same size as inventory and cash investment (Elsheikh and Hassanin, 2019). As observed in the financial statements of manufacturing companies, account receivables account for more than one-third of companies' current assets. According to Mazanec (2022), a well-planned, implemented and structured account receivable management (ARM) policy contributes positively to organization profitability where tax payable to the government is being determined. Profitability, an important desire of every organization, deals with financial returns realized by the company from goods and services sold after deducting the cost of sales and expenses. It is the parameter to gauge the overall organization financial potency.

Managing receivables is a critical aspect of financial management for manufacturing companies in Nigeria. Receivables represent the credit sales companies make to their customers, which are yet to be collected. Efficient receivables management is essential for sustaining healthy cash flows and maintaining profitability. In the context of Nigerian manufacturing companies, the effect of receivables on tax payable is a significant consideration that has implications for the organization's financial performance and tax obligations. In Nigeria, a company's taxable income, including revenues generated from sales, determines the tax payable by the organization. Receivables, representing unpaid sales invoices, can impact the company's taxable income and, consequently, its tax liability (Adegbite and Inyada, 2024). The timing of recognizing revenue from sales, particularly when credit sales are involved, can influence a company's taxable income in a given accounting period. Delays in collection of receivables negatively affect an organization's cash flow, which invariably downplays its financial potency to promptly meet tax obligations (Adegbite and Inyada, 2024).

Understanding the relationship between receivables and tax payable is essential for Nigerian manufacturing companies to effectively manage their financial operations and tax compliance. In Nigeria, manufacturing companies play a crucial role in the economy by contributing to industrial growth, employment generation, and revenue generation. However, the management of these companies' receivables can significantly impact their tax payable. Receivables are the money customers owe for goods or services provided on credit terms by the company. The problem arises when manufacturing companies have high levels of receivables that are not collected on time. This can lead to constrained cash flow, affecting an organization's potency to attain its tax obligations. In such cases, companies may face challenges in paying their taxes on time, leading to potential penalties and interest charges by the tax authorities. Additionally, according to Kuraesin et al. (2023), a high

level of uncollected receivables can impact the company's profitability, as it may result in bad debts that need to be paid off. This can further reduce the company's taxable income, potentially leading to lower tax payable. Therefore, the effect of receivables on tax payables in Nigerian manufacturing companies is a significant issue that needs to be addressed to ensure the financial health and compliance of these companies with tax regulations. This study aims to discover the impact of receivables on Nigerian manufacturing companies' tax payable, considering the country's unique economic and regulatory environment. By examining the factors that influence how receivables are managed and their implications for tax liabilities, this research seeks to provide insights that can help companies optimize their financial performance and tax planning strategies.

2. Literature review

2.1 Tax payable

Tax payable refers to the aggregated tax amount paid by the business, organization, or manufacturing company to the government, depending on taxable income, transactions or assets. It is the amount owed to the government after considering any tax deductions, credits, and exemptions that may apply. Tax payable is determined based on the jurisdiction tax laws and tax rates for a particular year. Tax remittance is important because it is a legal obligation that individuals and businesses must fulfill to contribute to funding essential government services and infrastructure. Tax payable by the organization is a source of revenue for the government irrespective of any ties (federal, state, and local). When the government realises this revenue is being employed to fund public services such as healthcare, infrastructure, defense, social welfare, and education, Taxes help redistribute wealth by collecting funds from those who can afford to pay more and utilize them to provide services and support to those in need. Tax payable helps promote social and economic equality by funding programs that benefit society. By fulfilling their tax obligations, individuals and businesses contribute to the functioning of the government and abide by the country's tax laws. Tax revenue plays a crucial role in maintaining economic stability by funding government initiatives and programs that promote economic growth, job creation, and investment in infrastructure. Tax payable contributes to the overall economic health of a country. Also, it is essential for the functioning of society and the government, and it is important for individuals and organizations to comply with and fulfill tax obligations to support the common good and contribute to the well-being of their community.

2.2 Receivable

Accounts receivable (also known as receivables) are the monetary value of goods or services owned by the company's customers. It represents the amount customers or clients owe for products or services received on credit. Companies typically have accounts receivable as an asset on their balance sheet, which is pertinent to the company's working capital. Managing accounts receivable effectively helps ensure a steady cash flow into the business, allowing the company to achieve its financial commitments bill payments, and investment growth opportunities (Ugwudioha and Onmonya, 2022). Accounts receivables are typically considered a current asset on an organization’s balance sheet. Its effective managed is essential for maintaining optimal working capital levels, which can impact the company's ability to fund operations, pay suppliers, and invest in new projects.

How a company manages its accounts receivable can impact its customer relationships. According to Soundarya et al. (2020), providing understandable payment terms and taking formidable steps to collect overdue payments professionally help maintain positive customer relationships and enhance the company's reputation. Careful monitoring of accounts receivable allows a company to identify potential bad debts or delinquent accounts early on. Imran (2018) opined that a company can reduce

or eradicate bad debt risks and financial losses by assessing credit risks, setting formidable credit limits, and implementing proactive collection strategies. Accounts receivable play a crucial role in financial reporting, providing information about a company's credit sales, outstanding balances, and the timing of cash inflows. Accurate accounts receivable reporting is essential for assessing the company's financial health and performance. Effective accounts receivable management is essential for optimizing cash flow, working capital, customer relationships, risk management, and financial reporting in a business (Owuor et al., 2021).

When a company recognizes revenue from sales or services provided on credit, the corresponding accounts receivable will also increase (Soundarya et al., 2020). This increment in accounts receivable may result in higher reported income for the company, as the revenue has been recognized even though the cash has not yet been received. Higher reported income led to higher taxable income, which increased the company's tax liability. In some tax jurisdictions, companies may be required to pay taxes on accrued income from accounts receivable even before the cash is collected. This impacts the timing of when the company pays taxes. Organizations need to manage accounts receivable effectively to ensure that cash is collected promptly to meet their tax obligations and manage their cash flow efficiently. Additionally, companies may need to consider accounting methods and tax regulations to accurately reflect the impact of accounts receivable on their tax payable.

If customers do not pay their receivables promptly, it can ignite cash flow complications for the company, which may affect its ability to pay bills, employees, or suppliers. Customers' default on their payments ultimately lead to bad debts, resulting in financial losses for the company, its profitability, and tax payable. Therefore, it is postulated that:

H_1: Receivables significantly impact tax payable in Nigerian manufacturing companies.

2.3 Taxable income

This is the organization's income, which is subject to tax by the government. It is realized by taking an individual's gross income (income before deductions and credits) and subtracting allowable deductions, exemptions, and credits. According to Adegbite and Adegbayibi (2023), taxable income determines how much tax an individual or business owes to the government. The tax rates and rules for determining taxable income vary by country which are set by the tax authorities. Some of the benefits of taxable income to the government, according to Adegbite and Adegbayibi (2023), is that taxable income provides a revenue source for government to finance public services like education, transportation, healthcare, defense, social welfare and infrastructure. This revenue helps the government meet its financial obligations and provide for the common good of society. It allows the government to collect taxes from individuals and businesses based on income, thereby promoting equitable wealth distribution.

Taxable income helps the government regulate the economy by influencing consumer spending, investment decisions, and overall economic activity. By adjusting tax rates and policies, the government can stimulate economic growth, control inflation, and maintain economic stability. Taxable income gives the government a powerful fiscal policy tool to manage the economy and address socio-economic challenges. The government can encourage specific behaviors, promote economic growth, and address budget deficits by adjusting tax rates, deductions, and credits. Taxable income is essential for funding the day-to-day operations of the government, including salaries of public employees, maintenance of public infrastructure, law enforcement, and other essential services. Without sufficient tax revenue, the government would struggle to meet its obligations and provide for the needs of its citizens. Taxable income, a gauge for payable taxes, plays a vital role in supporting the functioning of government and financing public services that contribute to the well-being and prosperity of society.

H_2: Taxable income significantly impacts tax payables in Nigerian manufacturing companies.

2.4 Total assets

Total assets are the aggregated values of every asset owned by the company or resources controlled with the economic value expected to flow for the company's future benefits. This is embedded with tangible assets such as equipment, inventory, and property, as well as intangible assets such as trademarks, goodwill, and patents (Olatunji and Adegbite, 2014). Total assets, the company's formidable component in the statement of financial position (balance sheet), are engaged in evaluating organizational value and financial health. Total assets can be calculated by adding the monetary value of all assets on the balance sheet representing the company's total investments. Total assets play a key role in determining the tax liability of individuals and businesses. For example, in Nigeria, taxes are imposed on certain types of assets, such as property, investments, or vehicles. The government uses asset valuations to assess the taxable amount and determine the appropriate taxes (Adegbite, 2020). Total assets can provide insights into wealth distribution within a population. Governments use data on total assets to understand income inequality, make policy decisions, and implement social programs to address disparities in wealth distribution. Monitoring total assets helps governments assess the overall financial health and stability of the economy but according to Lazarus et al. (2023), changes in total assets indicate economic growth or contraction, which can influence government policies related to fiscal management, monetary policy, and economic stimulus measures.

According to Adejare and Olatunji (2021), total assets are used to determine the organization's financial solvency and health. Regulatory authorities may require companies to report their total assets to ensure compliance with financial regulations and to evaluate debt obligations, potential liabilities, and other financial commitments. Total assets can also impact government revenue through taxes, fees, and other revenue sources. Governments may levy taxes on assets, such as property taxes, estate taxes, or capital gains taxes, to generate revenue to finance public services, social welfare provision and infrastructure projects (Adejarea and Akandeb, 2018). Total assets are an important measure that governments use to assess companies' tax liabilities, wealth distribution, economic stability, regulatory compliance, and government revenue. Monitoring total assets helps governments make informed policy decisions, ensure financial stability, and promote economic growth and welfare. Total assets are key in financial analysis and decision-making, particularly accounting, finance, and investing.

The significance of total assets cannot be underestimated because, according to Olatunji and Adegbite (2014), it provides valuable insights into an entity's financial health, performance, and growth potential, and identifies opportunities to make investment decisions, as well as assessing and managing financial risk. Understanding the composition and value of assets in an organization divulges potential risks such as asset concentration, obsolescence, or impairment, and effective risk management strategies involve optimizing the use of assets to maximize returns while minimizing exposure to potential losses (Adegbite, 2020). Total assets are essential for strategic decision-making such as resource allocation, capital budgeting, expansion initiatives, identifying areas of strength and weakness, guiding business leaders in allocating resources efficiently, investing in growth opportunities, and optimizing asset utilization to achieve optimal profitability where tax payable is gauged and determined. Therefore, it is postulated that:

H_3: Total assets significantly impact tax payable in Nigerian manufacturing companies.

2.5 Profit Before Tax (PBT)

This financial metric displays any organisation's operating profit before removing taxes. PBT is realized by the organization from the subtraction of all expenses from total revenue earned during a

precise period. This metric helps investors understand a company's profitability before considering the impact of taxes on its bottom line. PBT is the most pertinent gauge of an establishment's financial performance, and it extensively displays how the company generates profits from business activities before tax obligations.

PBT is a key factor in companies' tax planning strategies. Companies can assess their taxable income by analysing PBT and plan tax deductions, credits, and deferrals to optimize their tax liabilities and improve after-tax profitability (Eneisik et al., 2023). A consistent and growing PBT indicates that a company is efficiently managing its expenses, generating revenues, and operating profitably, which can instill confidence in investors and creditors. PBT serves as a valuable tool for management decision-making. By analyzing PBT, according to Adeboboye et al. (2022), management can evaluate the profitability of different business segments, assess the impact of cost-saving measures, recognize units for improvement, and proffer strategic decisions for financial performance enhancement. PBT is a critical financial parameter that exhibits valuable acumens into an organization's financial performance, operational efficiency, tax planning strategies, and overall financial health, making it an important measure for investors, management, and other stakeholders (Adeboboye et al., 2022; Adegbite and Adegbayibi, 2023; Duru et al., 2014).

H_4: PBT significantly impacts Tax Payable in Nigeria Manufacturing Companies

2.6 Revenue (REV)

Revenue refers to the organization's aggregated income earned in business operations, such as disposal of goods, interest, services, royalties, dividends, and other formidable income. Revenue is an income source for all manufacturing companies. It is essential for operating expenses, funding investment in equipment, infrastructure, research and development, paying employees, and generating profits. Without revenue, a manufacturing company cannot survive or grow sustainably (Adegbite et al., 2019). Revenue is crucial for funding growth and expansion initiatives. Manufacturing companies rely on revenue to invest in new technologies, expand production capacity, enter new markets, and develop innovative products. Higher revenue levels provide companies with the financial resources to support these expansion efforts. Revenue directly impacts a manufacturing company's profitability. Companies can enhance their profitability margins by increasing revenue through higher sales volumes, improved pricing strategies, and cost efficiencies. This enables them to generate returns for stakeholders, reinvest in the business, and withstand economic fluctuations.

Sindani (2018) opined that revenue is a key determinant of a manufacturing company's competitiveness in the market. Companies with higher revenue levels can invest in advanced technologies, automation, skilled workforce, efficient supply chains, and superior product quality. This competitive advantage allows them to attract customers, win contracts, and maintain market leadership. Revenue provides manufacturing companies with the resources to invest in innovation and research. Developing new products, enhancing existing offerings, and staying ahead of industry trends require financial support, which revenue helps to generate. Strategic investments in innovation can drive long-term growth and sustainability. Revenue is essential for maintaining the financial health of manufacturing companies. It enables them to meet financial obligations, repay debts, and build reserves for future uncertainties. Healthy revenue streams signal operational efficiency, customer demand, and overall market success, attracting investors and lenders. Revenue is a cornerstone of success for manufacturing companies, playing a vital role in their financial stability, growth, profitability, competitiveness, innovation, and overall sustainability. Effective revenue management and continuous focus on revenue generation are essential for manufacturing companies to thrive in a dynamic and competitive marketplace (Abubakar and Olowe, 2019; Adegbite and Fasina, 2019; Adejare, 2015; Aldubhani et al., 2022; Adejarea and Akandeb, 2018).

The link between revenue and tax payable is based on the concept of taxable income, which is the amount of income that is subject to taxation by the government. When a business earns revenue, it is not necessarily the same as taxable income. Taxable income is determined by subtracting allowable expenses, deductions, and credits from the total revenue earned by the business. This adjusted income is then used to calculate the taxes the business owes to the government. Properly tracking revenue, expenses, and deductions is essential for accurate tax reporting and compliance with tax laws (Adeboboye et al., 2022). In summary, revenue earned by a business is a key component in determining taxable income, affecting the tax payable amount. Therefore, it is hypothesized that:

H_5: Revenue significantly impacts tax payables in Nigerian manufacturing companies.

2.7 Audit Committee Quality (AUDCT)

The audit committee oversees a company's financial reporting processes, receivables, and tax payable management. It also significantly moderates the impact of receivables and tax payable on a company's financial statements, especially in the context of International Financial Reporting Standards (IFRS). According to Eneisik et al. (2023), strong Audit Committee quality promotes transparency and accountability in financial reporting. Companies with robust Audit Committee structures are more likely to accurately and transparently report their receivables and tax payable in accordance with IFRS guidelines. This transparency helps stakeholders and investors assess the company's financial performance and health accurately. Effective Audit Committee quality includes robust internal controls to prevent errors and misstatements in financial reporting. Companies with strong internal controls can better monitor and manage their receivables and tax payables, reducing the risk of inaccuracies or mismanagement in these areas (Adegbite, 2020). It also promotes ethical behavior within an organization, including the responsible management of receivables and taxes payables. Companies with a strong ethical culture are more likely to adhere to IFRS guidelines when accounting for these items, helping to maintain the integrity of their financial statements (Adegbite, 2020).

Audit Committee quality (ACQ) influences a company's approach to risk management. Companies that prioritize risk management are better equipped to assess and mitigate risks associated with receivables and tax payable, such as credit risk on receivables or tax compliance issues. By effectively managing these risks, companies can minimize the impact of receivables and tax payable on their financial performance. Adegbite and Adegbayibi (2023) opined that with diverse expertise and independence, ACQ can better provide oversight and guidance on managing receivables and tax payables. Sound audit committee quality enhances the integrity of financial reporting and mitigates the potential impacts of receivables and tax payable on their financial statements (Eneisik et al., 2023; Lazarus et al., 2023).

The quality of the audit committee can significantly impact how effectively these items are managed and reported per International Financial Reporting Standards (IFRS). A top-notch audit committee actively assesses the risks associated with receivables and taxes payable. Hanifah (2023) revealed that audit committees work with management to understand the company's credit policies, collection procedures, and tax planning strategies to identify potential risks and ensure appropriate controls are in place. The audit committee regularly monitors the company's receivables, such as ageing reports, collections activities, and tax liabilities, to ensure they are managed effectively. They review any significant changes in the allowance for doubtful accounts or tax provisions and question management about the reasons behind these changes.

Also, the audit committee is responsible for ensuring the company's compliance with relevant laws and regulations, including tax laws and accounting standards related to receivables. They review the company's tax filings and financial statements to ensure they are accurate and comply with IFRS

requirements. An effective audit committee also evaluates the company's internal controls on receivables and tax payable. They assess the design and operating effectiveness of controls that mitigate the risks of misstatements in these areas, including controls over revenue recognition, credit approvals, and tax calculations. The audit committee plays a key role in overseeing the external audit process, including the receivables and tax payable audit. They work closely with the external auditors to understand their audit plan, review the audit results, and address any significant issues or findings related to these areas.

By maintaining a high-quality audit committee that actively monitors and oversees the management of receivables, performance, and tax payables, companies can ensure accurate financial reporting, compliance with regulations, and effective risk management in these critical areas. This, in turn, enhances transparency, reliability, and credibility in the company's financial statements while assuring stakeholders. However, it is expected that:

H_6: The audit committee significantly moderates the relationship between receivables and tax payable in Nigerian manufacturing companies.

2.8 Theoretical review

2.8.1 Keynesian liquidity preference (KLP) theory

KLP theory was proposed by John Keynes (1936), which asserts that investors typically prefer liquid investments over illiquid ones, as liquidity provides flexibility and accessibility. The theory emphasizes the importance of maintaining an appropriate balance between cash and other assets. According to this theory, individuals and firms hold cash or inventory for various reasons, including transaction, speculative, precautionary, and compensation motives. In the context of working capital management, this theory highlights the significance of ensuring that sufficient funds are available for current assets to facilitate the smooth operation of day-to-day business activities. While profitability is a serious aspect for any organization, it is important to recognize that a healthy business may not always reflect immediate profit. The net profit figure reflects the balance between the values received and those expended. Operational efficiency is considered a key factor influencing profitability but not the sole determining factor. Various other elements such as market conditions, competition, external economic factors, and management decisions also play a crucial role in influencing profitability. Kuraesin et al. (2023) further elaborate on the multifaceted nature of profitability, indicating that profitability is influenced by a myriad of factors beyond just operational efficiency. Firms need to consider a holistic approach to financial management and decision-making for long-term sustainability and growth.

2.8.2 Theoretical review: IFRS perception

Receivables and tax payable are important components of a company's financial statements and are subject to specific regulations under International Financial Reporting Standards (IFRS). IFRS sets out guidelines that companies must follow when accounting for receivables and tax payable, ensuring consistency and transparency in financial reporting. Receivables represent amounts owed to a company by customers or other parties, typically for selling goods or services on credit. They are a key asset for a company as they represent future cash inflows. Under IFRS, receivables are recognized as having fair value on the balance sheet. Receivables are initially measured at transaction price and subsequently measured at amortized cost by employing the effective interest rate method. According to Owuor et al. (2021), impairment losses must be recognized if there is objective evidence that the receivable is not recoverable, following specific guidelines outlined in IFRS 9 Financial Instruments. IFRS 9 Financial Instruments provides guidelines on how companies should assess and account for impairment losses on receivables. If there is objective evidence of impairment, such as financial

difficulties of the debtor, the company must recognize an allowance for expected credit losses. This ensures that the carrying amount of receivables on the balance sheet reflects their recoverable amount, enhancing the accuracy of financial statements. Managing receivables effectively is crucial for a company's cash flow and liquidity. Monitoring ageing receivables, assessing credit risks, and establishing an appropriate credit policy are essential under IFRS management (Adegbite, 2020).

Tax payable, on the other hand, represents the amount of tax owed by a company to the government based on taxable income. It is a liability and must be recognized on the balance sheet when the company is legally obliged to pay taxes, typically at the year's end. Under IFRS, tax payable is measured as the expected amount to be remitted to the tax authorities, considering tax laws and regulations in the relevant jurisdictions (Adegbite and Inyada, 2024; Oktavia and Indrati, 2021). Further, any deferred tax liabilities or assets must be recognized on the balance sheet based on temporary differences between accounting and taxable profits. Tax payable represents the total tax owed by the company to the government based on taxable income. A liability must be recognized on the balance sheet when the company is legally obliged to pay taxes. Under IFRS, tax payable is measured at the amount expected to be paid to the tax authorities, considering tax laws and regulations in the relevant jurisdictions. In addition to recognizing current tax payable, companies must also account for deferred tax assets and liabilities under IFRS (Eneisik et al., 2023). Temporary differences between accounting and taxable profit give rise to deferred tax items. Companies must assess these differences and recognize deferred tax assets or liabilities on the balance sheet, reflecting the future tax consequences of these temporary differences. Proper accounting for tax payable under IFRS ensures compliance with tax laws and accurate financial reporting. Effective tax planning, monitoring tax regulations, and understanding the impact of tax liabilities on the company's financial statements are crucial aspects of managing tax payable in accordance with IFRS (Kristiana and Karnasi, (2024).

The impact of receivables and tax payable on a company's financial statements under IFRS is significant. Receivables directly affect a company's liquidity and cash flow, while tax payable represents an obligation that must be settled in the future. Kristiana and Karnasi (2024) revealed that proper accounting for receivables and tax payable is important for creditors, investors, and other stakeholders to accurately evaluate the company's financial performance and potency. Compliance with IFRS ensures transparency, comparability, and reliability in financial reporting, helping to build trust and credibility in the capital markets. Receivables directly impact a company's liquidity and cash flow. According to IFRS, when receivables increase, it indicates that the company is extending credit to customers, which could tie up cash flow until those receivables are collected (Aldubhani et al., 2022). Monitoring the level of receivables and their collection period is crucial for assessing a company's cash flow position. Companies need to carefully assess the credit risk associated with their receivables to determine the likelihood of customers' non-payment.

IFRS requires companies to account for impairment losses on receivables when there is objective evidence that the receivable is not recoverable. This can impact the company's profitability and financial health. Receivables and tax payable can impact a company's financial performance and reporting. Recognizing revenue from receivables and accounting for tax payable correctly are essential for presenting the company's financial position and performance as true and fair to stakeholders. Proper accounting for tax payable under IFRS ensures compliance with tax laws and regulations. It also allows companies to manage and plan their tax liabilities effectively. Understanding the impact of tax payable on the company's financial statements is crucial for tax planning and decision-making. IFRS requires companies to provide adequate disclosure of their receivables and tax payable in the financial statements. Transparent reporting of these items, including the methods used for measurement and any significant assumptions made, helps stakeholders assess the company's financial position accurately.

In summary, receivables and tax payable are significant components of a company's financial statements, and specific guidelines under IFRS govern their impact. Adhering to these standards enhances the transparency, accuracy, and reliability of financial reporting, providing stakeholders with valuable information for decision-making and assessment of a company's financial health.

2.9 Empirical review

Adeboboye et al. (2022) conducted a study on the impact of managing accounts receivable effectively on the financial performance of publicly Nigeria listed manufacturing firms. The study focused on analyzing how the average collection period affected a company's ROCE and EPS. The researchers sampled twenty (20) Nigeria listed consumer and industrial manufacturing companies, utilizing financial data from 2012 to 2021. Both descriptive and inferential analysis methods were employed. The study revealed that the average collection period had minimal negative effects on EPS. Moreover, normal collection periods slightly positively influenced returns on capital employed in industrial firms and had minimal negative effects on consumer goods companies. Comparative analysis indicated no significant difference in accounts receivable management impact on the performance of consumer and industrial goods firms. However, the study is restricted to accounts receivable and profitability, as opposed to this study, which gauged receivable impact on tax payable.

Owuor et al. (2021) showed the results of accounts receivable impact on Kenya's public universities' financial performance. Data collected through audited annual reports of selected 31 Kenyan public universities from 2017-2019 was analysed using panel analysis from the institutions' audited annual reports. The outcome revealed that accounts receivable management significantly indirectly impacted Kenya University's financial performance. Another study by Mutai and Kimani (2019) examined accounts receivable impacts on the liquidity of Kenya's technical training institutions. Responses through questionnaires were gathered from the population studied, which comprises 38 respondents who were equally selected from principals and accountants. The results of data analysis with correlation and multiple regression disclosed that ARM practices significantly affected the liquidity of Kenya's technical training institutions. Thus, this study emanated from Kenya, which is distinct from Nigeria's current study.

Mutiso and Mwangi, (2019) investigated The impact of RM on KKenyan. Data were assembled through questionnaires administered to manufacturing companies selected randomly from Thika and Ruiru municipalities. It was found that a weak positive correlation existed among credit terms, profitability and credit standards while a negative relationship existed between profitability and credit selection. Additionally, receivables collection and monitoring efforts revealed a relatively resilient positive connection with profitability. Conclusively, ARM impacts Kenya manufacturing companies' performance positively and significantly. The study garnered data from questionnaires administered to Kenyan manufacturing companies, which involved only a correlation matrix. Still, the current study extracted data from annual reports of Nigerian manufacturing companies that involved panel analytical tools.

Cipta et al. (2020) investigated accounts receivable turnover, credit growth and current ratio effects on Buleleng District Cooperatives' profits. The collected data were analysed using multiple linear regression analysis. Outcomes discovered that credit growth, current ratio, and accounts receivable turnover displayed no significant effects on Buleleng District Cooperatives' profits. Additionally, individually, accounts receivable turnover had a negative and insignificant impact on profits, while the current ratio had a positive yet insignificant effect. Credit growth individually had a significant negative impact on profits for these cooperatives. However, the study employed multiple linear regression analysis, which is absolutely different from the current study, which employed fixed effect, Hausman test, and random effect for analysis.

Agegnew (2019) appraised accounts receivable and the impact of cash turnover on Indonesian manufacturing companies' profitability. Research Data were gathered from thirty-two (32) Indonesia manufacturing companies' annual reports between 2011 and 2015 through purposive sampling. The results of data analyzed through regression analysis, t-tests and F-tests revealed that accounts receivable and cash turnover significantly impacted profitability. Another study was also established by Kuraesin et al. (2023) on the relationship between receivable turnover and profitability of Indonesian-listed manufacturing companies. Collected data were realized from 42 enterprises' financial statements with over 252 observations, which were analysed using multiple regression analysis. The result advocated that receivables positively, statistically and significantly impacted Indonesian listed manufacturing companies' profitability. Consequently, the study was ignited in Indonesia and employed regression for analysis as distanced from the current study, which was ignited in Nigeria with panel analytical tools.

Soundarya et al. (2020) investigated the influence of accounts receivable management on working capital at VKS Fabrics. Data from financial reports from 2014-2015 to 2018-2019 were analyzed using ratio and trend analysis to assess the efficiency of receivables management. Various ratios such as receivables to current Assets, total Assets, Sales, turnover, working capital and average collection period were computed to evaluate their impact. Descriptive research methods were employed, and results were presented using charts, tables, and graphs. The study concluded that VKS Fabrics had adequate accounts receivable management practices and provided recommendations for further improvement. In the same vein, Nwakaego et al. (2015) investigated the impact of ACM on the profitability of industrial goods in Nigeria. Collected data were from manufacturing companies' annual reports using multiple regression for the analysis. It was discovered from the analysis that accounts receivable impacted profitability positively with significant value. Meanwhile, policy forecasting of the study was limited to profitability as differed from this study with the policy prognostication of taxation In their 2018 study, Dirie and Ayuma (2018) investigated how ACM impacts SMEs' financial performance in Mogadishu, Somalia. Survey design was utilized to garner data from one hundred and two (102) SMEs through questionnaires in Mogadishu, Somalia. The Pearson correlation (PPMC) results show that ACM significantly impacts SMEs' financial performance in Mogadishu, Somalia. However, this study was effective in Mogadishu, Somalia, with questionnaires and PPMC, which differs from the current study in Nigeria, which involved published annual reports and panel data instruments.

Oktavia and Indrati (2021) examined the impacts of inventories, payables, and receivables on working capital. Inventories were measured by dividing the total cost of goods sold by the average inventory. At the same time, Receivables were calculated by dividing total credit sales by average receivables, and payables were realized by dividing total purchases by average trade payables. Thirty (30) listed Indonesia manufacturing companies were sampled between 2018 and 2019, where ninety (90) observations were gathered and analyzed with multiple regression. Findings from analysis displayed that receivables had a partial negative impact on working capital, while inventories had a partial positive effect. Debt, on the other hand, showed no significant effect on working capital. Overall, the study concluded that receivables, inventories, and payables impact working capital, with receivables having no partial effect, inventories positively influencing working capital, and debt not showing a significant partial effect. Established in Indonesia, the study was confined to inventories, payables, and receivables' impacts on working capital. However, the current research in Nigeria is confined to tax payable and receivable.

Duru and Ubesie (2016) investigated how accounts receivable impacted Nigerian manufacturing firms from 2000 to 2011. Various variables such as debt ratio, sales growth, and accounts receivable, were considered. The regression analysis of data collected from annual reports of selected

manufacturing firms revealed that the debt ratio, sales growth rate, and accounts receivable positively, significantly, and statically impacted the profitability of Nigerian manufacturing firms. Owuor et al. (2021) investigated ACM's impact on financial performance in Kenya's public universities. The finding of the analysis of data collected from annual reports of 31 chartered Kenya public universities from 2017 to 2019 indicated that they were utilized, with data analysis conducted using SPSS Version 25. The findings indicated that ACM had an insignificant effect on Kenya University's financial performance. Owuor et al. (2021) concluded that effective accounts receivable management played a crucial role in the financial performance of chartered Kenya public universities. Nevertheless, the study was conducted in Kenya public universities with the scope of 2017 to 2019, but this research was conducted on Nigerian manufacturing companies with the scope of 2011 and 2023.

In a study conducted by Muthoni et al. (2020), the link between ACM and Nairobi listed manufacturing firms' financial performance was examined. The study employed a population of one hundred and forty-seven (147) accounts and finance staff from all Nairobi-listed manufacturing firms from April 2016 to October 2016. Self-administered questionnaires were also used to sample the minds of 147 respondents, and these were analyzed using inferential and descriptive statistical methods. The findings divulged that substantial, significant and progressive relationships exist amidst the financial performance of ACM and Nairobi-listed manufacturing firms. Nonetheless, a questionnaire was the data collection instrument engaged in the study and was carried out in Nairobi, but it was different from the current study, which majorly employed annual published reports as the instrument and was conducted in Nigeria.

Imran (2018) focused on receivables management's influence on the profitability of listed companies. The study considered variables such as debt, sales growth and accounts receivable. Secondary data spanning from 2006 to 2017 was used for the research. Through the application of multiple regression analysis, the study assessed the hypotheses. The outcomes indicated that accounts receivable displayed a negative and insignificant correlation with profitability. On the other hand, debt showcased a positive yet insignificant relationship with profitability. Additionally, sales growth was found to have a positive but non-significant association with profitability based on the analysis. In another study, Jindal et al. (2017) investigated the impact of the efficiency of receivables management on the profitability of India companies from 2009 to 2016. The results demonstrated a positive and noteworthy correlation between the debtor's turnover ratio and India companies' profitability. This suggests that efficient management of receivables, as reflected in a higher debtor turnover ratio, contributes positively to the companies' profitability in India. Imran's (2018) research was restricted to 2017, but this study extended to 2023; therefore, the policy formulation differs.

Mbarushimana and Kengere (2023) investigated the effect of ARM practices on Rwandan manufacturing companies' financial performance. Cross-sectional surveys and structured questionnaires were employed, and 61 employees from Cimerwa were examined. The findings from the regression revealed that credit analysis and credit policy had a statistical, significant, and positive impact on Rwanda's manufacturing companies' financial performance. It was concluded that ARM had a positive, significant and statistical impact on Rwanda manufacturing companies' financial performance. The study employed structured questionnaires against the current study which fully involved annual reports of Nigeria manufacturing companies. Lazarus et al. (2023) investigated inventory conversion and account receivables on the performance of Ghana-listed manufacturing companies. Panel data collected from six (6) Ghana Listed manufacturing companies' financial statements from 2011 to 2020 were analyzed with panel data correlation and multiple regressions. The outcome showed that account receivables and inventory conversion statistically, significantly, and negatively impacted the ROA performance of Ghana Listed manufacturing companies. The study emanated from Ghana, but Nigerian manufacturing companies were not captured.

Hanifah (2023) analyzes receivable turnover and current ration influence on Profitability in Indonesian selected companies from 2016 to 2021. The data collected from Indonesian companies' financial reports analyzed with path analysis showed that the current ratio and receivable Turnover had a significant effect partially or simultaneously on profitability for Indonesian selected companies. Thus, the study was restricted to selected Indonesian companies as they were distant from Nigerian companies. In another study, Yusup and Hariani (2023) examined the Current Ratio, Accounts Receivable and Inventory Turnover effects on Return on Assets (ROA) in Indonesia. The study population was listed as beverage and food companies from 2015 to 2019. The outcome from the quantitative causal analysis indicated that accounts receivable and inventory turnover significantly and negatively impacted ROA. Still, the current ratio significantly and positively impacted ROA in Indonesian beverage and food companies. However, the study was ignited in Indonesia beverage and food companies but not in Nigeria manufacturing companies.

Kristiana and Karnasi (2024) determined the working capital effect on ROA in listed twenty-seven (127) Indonesian manufacturing companies. The meaningful data analysed using regression were obtained from annual reports of listed Indonesian manufacturing companies between 2018 and 2022. The results vindicated that inventory and accounts receivable had impacted ROA negatively and significantly. Nevertheless, the study employed regression for analysis which is different from the current study which engaged panel analytical tools for analysis. In another related study from Nigeria, Adegbite and Inyada (2024) investigated the viable effect of working capital on the tax payable to manufacturing companies in Nigeria. The study gauged Ten (10) manufacturing companies listed on the stock exchange between 2010 and 2022. Panel analysis components such as fixed effect, random effect model and FGLS, autocorrelation, Hausman and heteroskedasticity test were engaged. Results divulged that receivable, payable, and inventory were favourably significant in terms of tax payable. The study ultimately concluded that working capital statistically, progressively and significantly influenced tax payable in manufacturing companies in Nigeria. However, the study focused on working capital entirely but not in the same line with the current study which focused majorly on receivable in manufacturing companies.

Extant studies are limited to receivable management effects on profitability in Nigeria, developed and emerging countries (Dirie and Ayuma, 2018; Cipta et al., 2020; Duru and Ubesie, 2016; Imran, 2018; Kuraesin et al., 2023; Muthoni et al., 2020; Mutiso and Mwangi, 2019; Owuor et al., 2021; Purwanti, 2019) while other extant researchers confined their studies to receivable impacts on working capital (Kristiana and Karnasi, (2024); Adegbite and Inyada, (2024); Mutai and Kimani, 2019; Jindal et al., 2017; Owuor et al., 2021; Soundarya et al., 2020). However, this study extended its research to receivable and tax payable in Nigerian manufacturing companies, which is scarce among the extant research. Also, none of the extant researchers employed panel analytical tools to analyse the data garnered, which distinguished this study from others.

By examining the Nigerian context, the study can provide insights into how receivables management practices affect tax liabilities in a developing economy with unique tax regulations and business environments. This local perspective adds richness to the existing literature, which is often dominated by research from more developed countries. Understanding the relationship between receivables and tax payable in Nigeria can offer valuable insights for businesses operating there. The findings can help companies optimize their receivables management strategies to minimize the impact on tax liabilities and improve overall financial performance. This practical relevance enhances the applicability of the research findings to real-world business scenarios. The study can inform policymakers and tax authorities in Nigeria about the potential implications of receivables management on tax collections. By identifying how companies' receivables practices influence their tax payable, policymakers can design targeted interventions or regulatory measures to address any

identified challenges or loopholes in the taxation system. This can contribute to more effective tax collection and compliance efforts in the country. The research also contributes to theoretical literature by expanding our understanding of the relationship between receivables and tax payable within the broader financial management and taxation framework. It can shed light on how receivables impact tax liabilities and contribute to theoretical debates on the intersection of accounting, taxation, and corporate finance. The study introduces innovative research methods or analytical approaches to investigate the link between receivables and tax payable in Nigeria. By utilizing sophisticated quantitative techniques or longitudinal analyses, the research can push the methodological boundaries of existing literature and set new standards for studying this complex relationship. In conclusion, analyzing the effect of receivables on tax payable in Nigeria not only fills a gap in the literature but also offers practical, policy, theoretical, and methodological contributions that can enhance our understanding of this important financial and tax management issue.

3. Methodology

Data were sourced from annual publications of selected thirty-four (34) Nigeria manufacturing companies between 2011 and 2023 with four hundred and forty -two (442) observations. A panel model was used to analyse the data to determine the receivable effects on taxes payable to Nigerian manufacturing companies. Panel data analysis which is entrenched with a fixed effect model, pooled regression, Random effect, and FGLS, as well as the Hausman test, was employed in the study. The heteroskedasticity and VIF were also employed to determine the multicollinearity in the variables employed. Pearson Product Moment correlation (PPMC) was also used to determine the relationship among the variables.

3.1 Model specification

To analyse the effect of receivables on tax payable, receivables were assigned as an independent variable while Tax Payable was a dependent variable. Total Assets, Profit Before Tax, Net Income, and Revenue are control variables, and the audit committee is a moderating variable. Models are stated as follows:

$$TAXPBLE = f\ (RECEIVABLES, \mu) \quad (1)$$

$$TAXPBLE = f(RECEIVABLE, TOTAL\ ASSET, PBT, TAXABLE\ INCOME, REV, AUDCT, \mu) \quad (2)$$

$$TAXPBLE = a_0+\beta_1 RECEIV+\beta_2 TOTASET+ \beta_3 PBT+ \beta_4 TAXINC+\beta_5 REV+ \beta_6 AUDCT +\mu_1 \quad (3)$$

- Fixed Effect Model

$$Yit = \beta 0 + \beta Xit + uit \quad (4)$$

$$TAXPBLEit = \beta 0 + \beta 1 RECEIVit + \beta 2 TOTASETit + \beta 3 PBTit + \beta 4 TAXINCit + \beta_5 REVit+ \beta_6 AUDCT + y2E2 +\ldots+ ynEn + uit \quad (5)$$

$$TAXPBLEit = \beta 0 + \beta 1 RECEIVit + \beta 2 TOTASETit + \beta 3 PBTit + \beta 4 TAXINCit + \beta_5 REVit+ \beta_6 AUDCT+y2E2 +\ldots+ ynEn + \delta 2T2 +\ldots+ \delta tTt\text{-}1 + uit \quad (6)$$

- Random Effect Model

$$Yit = \beta 0 + \beta Xit + uit + \varepsilon it \quad (7)$$

$$TAXPBLEit = \beta 0 + \beta 1 RECEIVit + \beta 2 TOTASETit + \beta 3 PBTit + \beta 4 TAXINCit + \beta_5 REVit+ \beta_6 AUDCT + \gamma 2E2 +\ldots+ \gamma nEn + uit + \varepsilon it8 \quad (8)$$

4. Results and discussion

Table 1. Correlation

	TAXPBLE	RECEIV	TOTASET	TAXINC	PROBTAX	REV	AUDCT	AUDCT* RECEIV	AUDCT * TAXPBLE
TAXPBLE	1.000								
RECEIV	0.394*	1.000							
TOTASET	0.540*	0.431*	1.000						
TAXINC	0.493*	0.472*	0.663*	1.000					
PROBTAX	0.551*	0.325*	0.484*	0.431*	1.000				
REV	0.692*	0.428*	0.489*	0.655*	0.639*	1.000			
AUDCT	0.268*	0.030	0.297*	0.276*	0.293*	0.267*	1.000		
AUDCT*RECEIV	0.447*	0.583*	0.483*	0.508*	0.380*	0.472*	0.164	1.000	
AUDCT*TAXPBLE	0.589*	0.363*	0.531*	0.489*	0.546*	0.474*	0.342*	0.430*	1.000

Table 1 displays the results of the correlation matrix, which is ignited to examine the relationships between TAXPBLE and receivable. It is discovered that RECEIV possesses a positive significant connection with TAXPBLE with the value of (0.3949*), which shows the absence of multicollinearity between TAXPBLE and RECEIV. Also, TOTASET, in the same vein, displays a positive relationship with TAXPBLE (0.5400*). Furthermore, TAXINC, PROBTAX and REV positively connected with TAXPBLE with significant values of 0.4933*, 0.5519* and 0.6921*, respectively, in sampled Nigeria manufacturing companies. Similarly, AUDCT showed a positive relationship with TAXPBLE (0.2687*). Lastly, the moderators (AUDCT*RECEIV and AUDCT*TAXPBLE) divulged a significant relationship with TAXPBLE (0.447* and 0.5893* respectively). These values also display the nonattendance of multicollinearity amid the sampled variables in determining the effect of receivables on tax payable in Nigeria manufacturing companies.

VIF is also ignited to examine the heteroskedasticity among variables. However, it is realized from the results in Table 2 that heteroskedasticity presents in TOTASET and REV with values of 118.92 and 75.51, respectively, which are higher than the benchmark of 10 for the parameter. This springs out of Robust Regression in Table 3 to eradicate heteroskedasticity.

Table 2. Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
TOTASET	118.92	0.008
REV	75.51	0.013
PROBTAX	8.90	0.112
TAXINC	2.68	0.372
RECEIV	1.36	0.734
AUDCT	1.18	0.846
Mean VIF	34.76	

Source: Author's Computation (2024)

Table 3. Impact of receivable on tax payable in Nigeria manufacturing companies

	(1)	(2)	(3)	(4)	(6)	(7)

TAXPBLE	Pooled Regression	Robust Regression	AUDCT* RECEIV	AUDCT* TAXPBLE	Fixed Effect Model	Random Effect Model
RECEIV	0.027**	0.027*	-0.088	0.010**	-0.008	0094
	(0.017)	(0.074)	(0.278)	(0.010)	(0.768)	(0.031)
TOTASET	-0.026	-0.026	-0.038	-0.061***	-0.044***	-0.054***
	(0.341)	(0.406)	(0.194)	(0.000)	(0.000)	(0.000)
TAXINC	0.0071***	0.0071**	0.0073***	0.002***	0.001***	0.001***
	(0.000)	(0.015)	(0.000)	(0.004)	(0.008)	(0.002)
PROBTAX	0.318***	0.318***	0.321***	0.063***	0.022**	0.034***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.047)	(0.004)
REV	-0.000	-0.000	0.0034	0.020***	0.016***	0.019***
	(0.995)	(0.996)	(0.710)	(0.000)	(0.000)	(0.000)
AUDCT	-1.538	-1.538	-4.128	-4.341***	-8.585***	-6.342***
	(0.416)	(0.323)	(0.114)	(0.000)	(0.000)	(0.000)
AUDCT* RECEIV			0.0221***		0.032***	0.056***
			(0.012)		(0.016)	(0.010)
AUDCT* TAXPBLE				0.145***	0.157***	0.155***
				(0.000)	(0.000)	(0.000)
_Cons	4.48023	4.48023	8.01563	2.146***	4.554***	3.264***
	(0.675)	(0.556)	(0.000)	(0.000)	(0.000)	(0.000)
N	442	442	442	442	442	442
R^2	0.728	0.728	0.729	0.790	0.791	
adj. R^2	0.723	0.723	0.724	0.790	0.789	

Source: Author's Computation (2024)

Pooled regression, as shown in Table 3, has been discarded because of the presence of heteroskedasticity in TOTASET and REV. Robust regression is ignited to correct the presence of heteroskedasticity, as shown in Table 3. To discover the appropriate model out of pooled regression, fixed model and random model, the Hauman test must be done, as shown in Table 4. The results from the Hauman test supported the Random model because Prob>chi2 = 0.4650 is above 0.05. In addition, the Breusch and Pagan Lagrangian multiplier test (Band PL) is analyzed to deduce the appropriate model between the random model and Pooled regression which invariably supports the random model as shown in Table 5.

The random effect model in Table 3 shows that a unit increase in RECEIVABLES increased Tax payable by 0.094% and revealed that RECEIVABLES positively affected Tax payable (β = 0094, p = 0.031 < 0.05). One unit increase in TOTASET led to a decrease in tax payable by -0.054%, indicating a negative effect of TOTASET on Tax payable (β= -0.054, p = 0.000 < 0.05). The result also shows that a unit increase in TAXINC increased tax payable by 0.0018%, indicating a positive effect of TAXINC on Tax payable (β = 0.00189, p = 0.002 < 0.05). However, a unit increase in PROBTAX led to an increase in Tax payable by 0.034%, which further indicates that there was a

positive effect of PROBTAX on tax payable (β = 0.0340 p = 0.004 < 0.05). Additionally, a one unit increase in REV increased Tax payable by 0.019%, proving a positive effect of REV on Tax Payable (β= 0.019, p = 0.000 < 0.05). AUDCT, which is audit committee quality, negatively affected tax payable because a one percent increment in audit quality brings down tax payable by 6.3%. (β= -6.34246***, p = 0.000 < 0.05). AUDCT*RECEIV and AUDCT*TAXPBLE had a positive moderating role between receivables and tax payable with the value of (β= 0.05683***; 0.155***, p = 0.010; 0.000 < 0.05 respectively). This divulges that A UDCT significantly moderated the relationship between receivables and tax payable in Nigeria manufacturing companies.

Table 4. Hausman test

	(b) FE	(B) RE	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
RECEIV	-0.008	0.009	-0.017	
TOTASET	-0.044	-0.054	0.009	0.003
TAXINC	0.001	0.001	-0.000	
PROBTAX	0.022	0.033	-0.011	
REV	0.016	0.019	-0.002	0.001
AUDCT	-3.289	-6.642	-7.533	3.264
AUDCT*RECEIV	0.002	-0.000	0.003	
AUDCT*TAXPBLE	0.157	0.154	0.002	
chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 7.78			Prob>chi2 = 0.465	

Source: Author's Computation (2024)

Table 4 displayed the Hausman test's decision on either fixed or random effects. Hausman test absolutely advocated for the random effect model preference as the viable model for this study interpretation and analysis because Prob>chi2 equals 0.4650, which is more than 0.05.

Table 5. Breusch and Pagan Lagrangian multiplier test (Band PL) for Random Effects
TAXPBLE [companies, t] = Xb + u [companies] + e [companies, t]

Estimated Results	Var	SD = sqrt (Var)
TAXPBLE	4.01e+13	6328854
E	2.11e+11	459287.4
U	0	0.000
Test: Var(u) = 0	chibar2(01) = 54.54	Prob > chibar2 = 0.000

Source: Author's Computation (2024)

Band PL in Table 5 is analyzed to deduce the appropriate model between the random model and Pooled regression. It is discovered that the random effect model is appropriate because Prob > chibar2 = 0.0000 which is below 0.05.

Table 6. Correlation matrix of residuals

	__e1	__e2	__e3	__e4	__e5	__e6	__e7	__e8	__e9	__e10
__e1	1.000									
__e2	-0.248	1.000								
__e3	-0.443	0.146	1.000							
__e4	-0.543	-0.121	0.327	1.000						
__e5	-0.712	0.554	0.695	0.478	1.000					
__e6	0.583	-0.196	-0.740	-0.451	-0.790	1.000				
__e7	-0.952	0.326	0.551	0.536	0.808	-0.658	1.000			
__e8	0.545	-0.139	0.033	-0.372	-0.313	0.011	-0.619	1.000		
__e9	0.548	-0.377	-0.516	-0.605	-0.829	0.667	-0.720	0.560	1.000	
__e10	-0.830	0.495	0.384	0.529	0.670	-0.349	0.860	-0.599	-0.545	1.000

Breusch-Pagan LM test of independence: chi2 (45) = 33.887, Pr = 0.1264

Source: Author's Computation (2024)

The correlation matrix of residuals in Table 6 was analyzed with the involvement of the Breusch-Pagan Lagrangian multiplier (LM) to determine the presence of cross-sectional dependence among the variables of the sampled manufacturing companies because cross-sectional dependence is one of the major problems with a micro panel with 10 years and above. The null hypothesis is that residuals across all entities are uncorrelated. The result of pr in Table 6, which is 0.1264 greater than 0.05, depicts the absence of cross-sectional dependence among the variables examined, which ultimately displays that residuals across all entities are correlated.

5. Discussion of findings

This study investigated the effect of receivables on tax payables in listed Nigerian manufacturing companies. Data collected were analysed with analytical tools such as pooled regression, fixed and random effects, and the Hausman test. It was noted from the results attained from the analysis that receivables have a positive effect on tax payables. This is in line with the submission of Adegbite and Inyada (2024), Aldubhani et al. (2022), Kuraesin et al. (2023), Oktavia and Indrati (2021); and Owuor et al. (2021) but discounted the submission of Adeboboye et al., (2022); Duru et al., (2014); Oktavia and Indrati, (2021); and Soundarya et al., (2020). It was also revealed that total assets decrease the tax payable by an organization; that is, total assets negatively affect the tax payable. This negated the view of Adegbite and Inyada (2024) and Owuor et al. (2021) but derailed the advocacy of Sindani (2018). It was further discovered that PBT increases tax payable as supported by the view of Adegbite and Inyada (2024), Jindal et al. (2017), Muthoni et al. (2020), Odondi et al. (2015) but declined the submission of Adegbite and Inyada, (2024); Aldubhani et al., (2022); and Muthoni et al., (2020).

Taxable income was also seen increasing tax payable by an organization; this shows that the more taxable income there is, the more tax payable by the manufacturing companies. This distanced from the verdicts of Adegbite and Inyada (2024), Olatunji and Adegbite (2014), Aldubhani et al. (2022), and Owuor et al. (2021) but concurred with the verdicts of Sindani (2018); Duru et al., (2014). Furthermore, revenue positively influences Nigerian manufacturing companies' tax payable to the government; that is, revenue increases the tax payable by an organization to the government. This submission is never derailed from the submission of Adegbite and Inyada (2024) and Owuor et al. (2021) but not in line with Aldubhani et al. (2022) and Muthoni et al. (2020), where the negative significant effect revenue and profitability on tax payable of manufacturing firm are established. AUDCT, which is audit committee quality, is negatively affected because a one percent increment in audit quality brings d This is because audit committees work with management to understand the company's credit policies, collection procedures, and tax planning strategies to identify potential risks and ensure appropriate controls are in place. AUDCT*RECEIV and AUDCT*TAXPBLE had a

positive moderating role in the relationship between receivables and tax payables. This divulges that AUDCT significantly moderated the relationship between receivables and tax payables in Nigerian manufacturing companies, which is in line with the submission of Adegbite and Inyada (2024).

6. Conclusion

This research analyzed the effect of receivables on tax payables in Nigerian manufacturing companies. The study provides empirical evidence of this effect within the context of Nigeria. Data collected from annual publications of selected thirty-four (34) Nigerian manufacturing companies between 2011 and 2023 were analysed with analytical tools such as pooled regression, fixed and random effects, and the Hausman test. The heteroskedasticity and VIF were also employed to determine the multicollinearity in the variables employed. Pearson Product Moment correlation (PPMC) was also used to determine the relationship among the variables. Findings from the study revealed that receivables have a significant positive effect on tax payables. Conclusively, receivable has a positive significant effect on tax payable; when a company recognizes revenue from sales or services provided on credit, the corresponding accounts receivable will also increase, which will invariably upsurge tax payable by Nigeria manufacturing companies to the government. Also, this increment in accounts receivable may result in higher reported income for the company once the revenue has been recognized even though the cash has not been received; higher reported income leads to higher taxable income, which may result in an increment in the company's tax liability (tax payable). It is recommended that receivable monitoring mechanisms or devices should be put in place by the government to monitor all the receivables of the organization to prevent artificial dwindling in tax payable and to enhance transparency in the financial reporting of manufacturing companies which will contribute to more accurate and standardized assessment of tax implications.

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