

Issue no: 01 | **Vol no:** 08 | **October** 2026: 73-86

Moderating Effect of Corporate Governance on the Relationship Between Accounts Receivable Period and Financial Performance of Non-Financial Firms Listed on the Nairobi Securities Exchange, Kenya

Rehema Akinyi Onduru [(1)]
Jackson Oyaro Ong'eta [(2)]
David Ogega Aunga [(3)]

(1.2.3) University of Eastern Africa, Baraton, Kenya.
Main author's email: ochuonyo02@gmail.com

Article History
Received: **2026.08.15**
Accepted: **2026.09.17**
Published: **2026.10.07**

Cite this article in APA
Onduru, R. A., Ong'eta, J. O., & Aunga, D. O. (2026). Moderating effect of corporate governance on the relationship between accounts receivable period and financial performance of non-financial firms listed on the Nairobi Securities Exchange, Kenya. *Editon consortium journal of business and management studies, 8*(1), 73-86. https://doi.org/10.51317/ecjbms.v8i1.781

Abstract
This study examined the moderating effect of corporate governance on the relationship between accounts receivable period and financial performance of non-financial firms listed on the Nairobi Securities Exchange (NSE). The study adopted an explanatory research design and positivist philosophy, using a longitudinal research strategy and secondary panel data covering ten years, from 2016 to 2025. A census of 32 eligible non-financial firms generated 320 firm-year observations. Financial performance was measured using Return on Assets (ROA), while the accounts receivable period was measured as trade receivables divided by credit sales, multiplied by 365 days. Corporate governance was measured using a composite governance index, while firm size, measured as the natural logarithm of total assets, served as a control variable. Data were analysed using descriptive statistics, Pearson correlation, and hierarchical panel regression analysis. The accounts receivable period averaged 88.311 days (SD = 21.259) and had a negative and statistically significant association with financial performance ($r = -.3981$, $p = .05$). It also had a negative and statistically significant direct effect on financial performance ($\beta = -0.0055$, $p = .000$). Corporate governance had a positive and statistically significant direct effect on financial performance ($\beta = 0.3767$, $p = .000$). The interaction between corporate governance and accounts receivable period was positive and statistically significant ($\beta = 0.0180$, $p < .05$), indicating that corporate governance significantly moderates the relationship by weakening the negative effect of prolonged receivables collection. The study concludes that stronger corporate governance enhances credit management and receivables collection, thereby cushioning firms against adverse financial consequences.

Key words: Accounts receivable period, corporate governance, financial performance, moderation, non-financial firms.

Editon OPEN ACCESS

This article is distributed under the license of a Creative Commons Attribution-Non Commercial-ShareAlike 4.0 International License. It is permitted to be used, reproduced and distributed in line with Editon Consortium Publishing guidelines.

INTRODUCTION

Working capital management is closely related to the decisions on the firms' asset composition and current liabilities that impact firms' profitability (Abbas & Isiaka, 2021; Damoah et al., 2020; Nastiti et al., 2019; Oyedele et al., 2017). Working capital management encompasses all decisions pertaining to the management of current assets and liabilities, and this includes calculating the ideal quantity of cash, receivables, inventory, and current liabilities, as well as establishing the correlation between current assets and current liabilities (Nastiti et al., 2019).

Corporate governance is referred to as a system of regulations and rules that guides the relationship between companies and stakeholders, and further, they guide how the company is directed and controlled. In addition, they establish how the company's objectives are set and how performance is assessed. Noreen et al. (2018) postulated that corporate governance pertains to the framework employed for governing and directing the operations of an organisation. Arora and Bodhanwala (2018) state that when the ownership and control of a firm is divided, the directors responsible for executing the firm's activities may not act in the principals' best interests. According to agency theory, directors are motivated by their own self-interest and will act in an opportunistic manner when their interests conflict with those of the investors.

Thus, the importance of corporate governance as a moderator in the relationship between working capital management and financial performance is a thought-provoking research avenue. As stated by various scholars, there is a relationship between working capital and financial performance, although its extent is unknown, with the moderating effect of corporate governance. In Kenya, research undertaken on the influence of working capital management on financial performance has yielded conflicting findings. Thus, the role of corporate governance in modulating the link between working capital management and financial performance remains unclear.

Financial performance is a critical measure of the sustainability, efficiency and value-creation capacity of firms. It reflects how effectively firms utilise their resources to generate returns for shareholders and other stakeholders. Persistent deterioration or instability in these indicators may signal inefficient resource utilisation, increasing financing costs and reduced capacity to generate sustainable returns. Maintaining satisfactory financial performance is therefore a major concern for non-financial firms listed on the Nairobi Securities Exchange (NSE).

The management of the accounts receivable period (ARP) may influence the amount of capital tied up in operations, financing requirements and, ultimately, financial performance. However, empirical findings on the relationship between working capital management and financial performance remain inconsistent, with studies reporting positive, negative and insignificant relationships. Corporate governance may provide an important explanation for these differences, as it may not only influence financial performance directly but may also strengthen or weaken the relationship between accounts receivable management and financial performance.

Despite the growing literature on working capital management and financial performance, an empirical gap remains in Kenya. Existing studies have largely focused on the direct relationship between working capital management and financial performance, with limited attention to the moderating role of corporate governance. Limited evidence exists on whether corporate governance modifies the relationship between accounts receivable period and financial performance measured through ROA among non-financial firms listed on the NSE.

The study sought to establish the moderating effect of corporate governance on the relationship between accounts receivable period and the financial performance of non-financial firms listed on the Nairobi Securities Exchange. The null hypothesis stated that corporate governance does not moderate the relationship between accounts receivable period and the financial performance of non-financial firms listed on the Nairobi Securities Exchange.

LITERATURE REVIEW

Theoretical Review

Agency Theory

Agency Theory was primarily developed by Michael Jensen and William Meckling in 1976. Their work focused on the agency relationship between a company's owners (principals) and its managers (agents). They looked at the possible conflicts of interest, as well as the expenses of optimising the interests of these two parties,

which largely focused on the corporate governance of the companies (Jensen & Meckling, 2012).

Agency Theory is a key concept in Corporate Governance, which is a theory that affects the relationship between the agents (managers/executives) and the principals (shareholders). The theory is based on the assumption that agents are not necessarily acting in the principals' interests, particularly if they have differing interests. It is based on the concept that agency costs in economics and corporate governance stem from conflicting interests between management and shareholders, causing inefficiencies, and that governance structures should be designed to minimise such agency costs (Naz et al., 2022).

Corporate Governance provides tools like board oversight, audit committees, transparency, and performance-based pay that dampen the working-capital-management–financial-return link. Corporate governance helps mitigate agency problems and ensures better accountability (Aguilera et al., 2021). According to agency theory, corporate governance mechanisms are needed to reduce agency costs by coordinating the financial interests of executives with respect to stakeholders by fixing their compensation and benefits and appointing an independent board of directors to monitor managerial behaviour. Furthermore, agency theory claims that board directors must be independent in order to protect shareholders' wealth by decreasing agency conflicts, enhancing profitability, and ensuring the long-term viability of businesses (Aguilera et al., 2021).

This theory helps to understand the possibility of a conflict of interest that can occur when the principal (e.g., shareholder) entrusts decision-making to the agent (e.g., manager). The problem lies in the fact that managers, as agents, may not always make optimal decisions for the shareholders, which may result in sub-optimal decisions and agency costs (Njoroge, 2017). The mechanisms of corporate governance ensure that the managerial activities are overseen and managed to ensure that the company is managed for the benefit of the shareholders. Working capital management involves decisions related to current assets and liabilities, such as inventory, receivables, and payables; these decisions can significantly impact a company's liquidity, profitability, and overall financial health (Al-Faryan, 2024).

Agency Theory gives the rationale for the mechanisms which can be used in corporate governance, and one of the areas where such mechanisms can be used is working capital management. For instance, if the working capital cycle is poorly managed, there might be excessive inventory or slow payers, which could negatively impact profitability and even reflect poor management by the company's management. Good corporate governance will assist in ensuring that management is motivated to make informed working capital decisions that are geared towards maximising the value to shareholders.

The Agency Theory is applicable to this study in the context that the corporate governance mechanisms are meant to eliminate the agency challenges within an organisation. The corporate governance mechanisms ensure that the decisions made by the management are in the best interests of the firm and that they are financially sound.

Empirical Review

Accounts Receivable Period and Financial Performance

Novak et al. (2021) investigated the link between working capital management (WCM) and financial performance in SMEs in the Czech Republic. He used a sample of 105 companies; Panel data analysis was carried out using secondary data from 2014 to 2019. The variables included the cash conversion cycle, inventory turnover, accounts receivable and accounts payable. The data revealed a significant negative association between increasing investments in inventories and accounts receivable and decreased profitability. The study reviewed here was based on secondary data and panel data analysis.

Jabbouri et al. (2022) studied the relationship between the financial performance of companies and working capital management (WCM) by analysing corporations listed on the Athens securities Exchange. A significant relationship between the cash conversion cycle and firm profitability was discovered. Their findings revealed that businesses make profits by properly managing and sustaining each part of the cash conversion cycle, accounts payable, accounts receivable, and inventory, at an optimum level. However, the analysed corporations were listed on the Athens Stock Exchange, but this study will be based on listed non-financial firms in Kenya.

Hassan et al. (2017) studied the effect of Working capital management on firms' performance in water processing firms in Puntland from 1992 to 1996. He found that WCM significantly impacts firm profitability. Working capital management (WCM) is measured using accounts receivable, the cash conversion cycle, accounts payable, and inventories. The findings demonstrated a substantial link between accounts payable, the value of its goods held in security, the amounts owed by the company to its suppliers, and the company's operating income. According to study, CEOs can boost corporate profitability by enhancing inventory turnover and reducing accounts receivable time. Also, according to the credit risk theory, investors face a risk of financial loss when a borrower fails to meet their contractual responsibility to repay their obligations. Accounts receivable are credit in the provision of products and/or services to a person or business on agreed terms and circumstances where payments are to be made at a later period plus or minus interest.

Gill (2015) conducted a study on the relationship between performance and working capital management. He used 88 firms from the NYSE between 2005 and 2007. The results showed that there was no significant association between the average number of days it took debtors to pay and the company's profitability. Furthermore, there was no statistically significant relationship between average inventory duration and the firm's profitability. There was a negative link between the average creditor term and profitability. The study discovered a significant association between a company's size and its profitability. The study concluded that by minimising the number of days for debtors, CFOs can improve their firms' profitability. The study was based on 88 firms from the NYSE, but this study will be based on the listed non-financial firms in Kenya.

Duru (2015) looked at the effects of accounts receivable on the financial performance of Nigerian food and beverages companies from 2000 to 2011. Sales advancement, balance fees, and financial obligation constituted the variables. Secondary data were used. OLS was used. Findings showed no statistically significant link with the performance of Nigerian FMCG. It also revealed that sales increase had a significant effect on firm success. The higher the sales, the higher the income it gains and, consequently, the profitability. The study reviewed here was based on secondary data, whereas the current study will be based on primary and secondary data.

Kaushik (2024) studied the operating capital elements and their impact on the Indian Hindalco market's success from 2017 to 2022. Secondary data was obtained from Hindalco's financial filings, and multiple regressions were applied. The study found that the accounts receivable turnover ratio had a statistically significant impact on organisations' financial performance. This indicates that the company's accounts receivable collection is ideal, and that consumers pay their obligations as they become due, hence improving profitability.

Mihajlov (2018) examined accounts receivable management of publicly listed firms in the Serbian Non-financial firms listed on the Nairobi Securities Exchange, Kenya. During the 2008 recession, 108 enterprises were sampled from the market. Between 2008 and 2011, balance due policies were reviewed. The data revealed anomalous behaviour among the variables during the crisis era. This is linked to the inability of companies to repay debts to other companies. Companies may experience additional collection fees and even bad debts as a percentage of consumers are unable to repay their obligations. The study was based on the Serbian Non-financial firms listed in Nairobi securities exchange Kenya market will be based on listed non-financial firms in Kenya.

Gitahi et al. (2020) studied the relationship between management of receivables and financial performance on non-financial firms listed in the Nairobi Securities Exchange, Kenya. This analysis utilises secondary data from the NSE Manual and individual enterprises' financial disclosures from 2017 to 2021. The study sampled 22 companies listed on the NSE, and regression and correlation analyses were used. Findings revealed a correlation between management of trade receivables and the value of the firms. A rigorous policy indicates that only a small percentage of clients will be creditworthy, and hence the company assumes it will get the cash when it becomes due. This permits the company to get payments in a timely manner because the clients are creditworthy.

Munene and Tibbs (2018) did a study in Kenya on the link between debtor management and the Embu water and sanitation business performance. The study was

conducted using a descriptive method, and Secondary data from the years 2012–2016 were used. Management accounts receivable were measured using the average collection interval. The data revealed that current ratios had a statistically significant link with ROE, indicating that overall profitability would increase if the accounts receivable payment term were to be extended. The study reviewed here was based on a descriptive method, whereas the current study will be based on correlational and descriptive research designs.

Mugo (2016) conducted a study on the effect of trade receivables management on the profitability of non-financial firms listed on the Nairobi Securities Exchange, Kenya. Data collection and analysis were conducted using quantitative research techniques. The link and level of association between the study variables were determined using correlation and regression analysis. According to the report, the average collection period, bad debts to debtors ratio, and debtor turnover all contributed to a 24.7 per cent increase in profitability. The average collection period has a negative impact on profitability. Furthermore, it was demonstrated that there is a negative link between the collection period and performance, implying that the company collects money within the predicted timeframe. The study reviewed here was based on quantitative research techniques, whereas the current study will be based on mixed methods.

Charles (2018) looked at the effect of accounts receivable on the performance of Kenyan parastatals from 2010 to 2014. A census approach was used due to the limited number of parastatals. Descriptive and inferential statistics were both used. Results indicated a direct correlation between the management of receivables and firms' performance in the study. However, it was a weak correlation, as only 25.3 per cent of the performance was accounted for by the debtor's management, indicating that other factors outside the study also influenced the performance. The study reviewed here was based on correlational analysis, whereas the current study will also be based on a descriptive research design.

Empirical evidence from Kenya generally supports an inverse relationship between accounts receivable period and financial performance. Yegon, Muturi and Oluoch (2021), studying firms in Kenya's tea sector, found that the accounts receivable collection period had a negative and statistically significant relationship with ROA ($\beta = -0.1299$, $p = 0.016$). The finding suggests that longer periods taken by customers to settle their accounts are associated with lower profitability. This is particularly relevant to this study because the non-financial firms listed must manage substantial operating-cycle requirements (Oluoch, 2021).

More recent evidence from Kenyan manufacturing firms provides further support for a negative relationship. Okoth, Githui and Osoro (2024), examining listed manufacturing firms in Kenya over 2014–2023, found that accounts receivable management had a significant negative effect on financial performance. The authors consequently recommended that manufacturing firms reduce their receivables and inventory levels to improve performance. This finding is particularly useful for my research because my study focuses on non-financial firms listed on the NSE, which operate within the broader manufacturing/agricultural-processing environment.

Similarly, research on commercial and service firms listed on the Nairobi Securities Exchange found that average collection period was negatively related to financial performance. Using data covering 2003–2022 and measuring financial performance through ROA, ROE and net operating profit margin, the study reported negative relationships between average collection period and all three performance indicators. The finding implies that firms may improve financial performance by shortening the period between making credit sales and collecting cash from customers.

Evidence from Kenya's agricultural sector is also particularly relevant to your study. Githiga and Jeremiah (2023) examined agricultural firms listed on the Nairobi Securities Exchange for 2016–2022 and found a significant negative relationship between accounts receivable collection period and financial performance. The study recommended reducing the collection period to improve financial performance. Because sugar companies are agricultural-processing enterprises whose operations depend heavily on agricultural production and downstream sales, this evidence provides a useful contextual basis for expecting ARP to influence financial performance in your study.

The negative relationship is also reported in other African economies. A study of South African retail firms listed on the Johannesburg Stock Exchange found that average collection period was negatively related to financial performance, with financial performance

measured using ROA, ROE and net operating profit margin. The authors' findings suggest that firms that take longer to collect cash from customers may experience weaker financial performance because funds remain committed to receivables rather than being available for productive investment and operating requirements.

Sharman and Kaur (2016) investigated working capital, and the sample was chosen as Bharti Airtel Telecom Company for the period 2007-8 and 2014-15. This article examined a variety of financial ratios, including the current ratio, gross profit ratio, quick ratio, receivable turnover ratio, operating profit ratio, and inventory turnover ratio. The relationship between these ratios and performance was evaluated using statistical and economic methods. With the exception of the current ratio, all of the ratios described performed admirably. The study reviewed was based on firm performance, while the current study will be based on financial performance.

Pointing out the importance of working capital management, Eljelly (2004) states that effective liquidity management, which consists of planning and controlling current assets, prevents the risk of not being able to fulfil short-term responsibilities and over-investing in these assets. A study on the relationship between profitability and liquidity for Saudi Arabian enterprises was conducted using correlation and regression analysis, and the cash conversion cycle was discovered to be a more essential parameter than the current ratio in determining the effect of firm profitability. However, the study was conducted using correlation and regression analysis but this study will apply mixed methods.

Bagh et al. (2016) conducted a study to analyse the influence of operating capital utilization and control on the performance of nine companies that were in the manufacturing industry listed in the Karachi securities Exchange for the period 2005-2014. The data indicate a favourable and statistically significant association. The findings called for efficient receivables management, particularly through a shorter collection period that would allow for easier operation and increase the profitability of manufacturing enterprises. The study also found a substantial link between operating profit and security in days. According to the literature reviewed above, receivables management has some influence on how much a company earns. However, given the contradiction in terms of the direction, degree of the relationship, and context of the studies, it is necessary to conduct current research to determine the relationship between the factors.

According to Yazdanfar and Öhman (2014), accounts receivable period is a comprehensive performance measure used for reviewing the ability of companies in managing their capital. The accounts receivable period indicates how efficiently current assets are managed. A shorter accounts receivable period helps businesses to create more sales for the same amount of money spent, demonstrating that they used their resources to maximise profit. The impact of the accounts receivable period on the performance of Pakistan's cement industry indicated similar results (Yasir et al., 2014).

Vural et al. (2014) performed a cross-sectional regression analysis on financial tables of production companies whose shares were publicly traded on the Istanbul securities Exchange Market for 10years and found an important negative relationship between the accounts receivable period and profitability. However, this study will be carried out to disprove or support these findings. Ramachandran and Janakiraman (2019) examined the relationship between working capital management and earnings before interest and tax (EBIT) in the Indian paper sector. According to the findings of this study, which used 10-year data, there was a significant negative relationship between EBIT and the cash conversion cycle.

Den and Oruc (2025) examined the relation between accounts receivable period and its components with profitability through a general sample and by forming a different model for each sector, and found a significant negative relation between cash conversion cycle and accounts receivable turnover and security turnover and a significant positive relation between accounts receivable period and profitability in all sectors except textile. However, this study will be based on the manufacturing sector.

Akgun and Samiloglu (2016) looked at the connection between WCM and firm performance, where performance, given as profitability, is measured by ARP, APP and inventory conversion period. A study was undertaken on 120 industrial businesses in Turkey that were listed on the Istanbul securities Exchange from 2003 to 2012. Multiple linear regression demonstrated a strong negative association between working capital

management (WCM) and firm performance. Specifically, this paper found a significant negative relationship between the average collection period and the return on equity (ROE), return on assets (ROA), net profit margin and operating profit margin. They expected corporations to reduce their average revenue per user (ARPU) and average purchase price (APP).

Wasiuzzaman (2015) examined the imperative extent of financial performance on working capital of Instanbul securities Exchange, which has not been well examined. The researcher provided financial assistance for the literature review and conducted an examination of profitability, as assessed by Return on Equity (ROE) and Return on Assets (ROA), as well as working capital. The researcher conducted ordinary least squares (OLS) regression analysis on a sample of 160 non-financial firms listed on the Nairobi Securities Exchange, Kenya, to investigate the link between working capital and firm profitability. The findings revealed a negative link between working capital and profitability, regardless of payables, which likewise had a negative relationship with profitability. The study compared this data to other studies and discovered that there is no substantial association between working capital and profitability. However, this study will be carried out to disprove or support these findings.

METHODOLOGY

The study adopted a positivist philosophical approach. Positivism was chosen because it aligns with the study's aim of identifying objective, quantifiable relationships between variables. This approach assumes that reality is objective and can be measured independently of human perception, enabling a clear, systematic investigation into cause-and-effect relationships.

Cooper and Schindler (2014) define research design as a blueprint that guides the researcher in conducting a study while controlling factors that may affect the validity of the findings. This study adopted an explanatory research design, which was appropriate for examining the relationships among accounts receivable period, corporate governance, and financial performance. The study employed a deductive approach, which involves testing existing theoretical propositions using empirical evidence. A longitudinal research strategy was adopted using secondary panel data covering ten years, from 2016 to 2025.

The target population consisted of non-financial firms listed on the Nairobi Securities Exchange over the financial years 2016 to 2025. Firms were included if they remained operational and continuously listed on the NSE throughout the study period, and firms with incomplete annual financial reports or those listed after 2016 were excluded. Applying these criteria resulted in 32 eligible non-financial firms, generating 320 firm-year observations across seven industries. The study relied on secondary quantitative data extracted from the annual audited financial reports of the sampled firms.

Financial performance was measured using Return on Assets (ROA), calculated as profit after tax divided by total assets, expressed as a ratio.

The accounts receivable period is a critical component of working capital management because it reflects the time taken by a firm to collect payments from its customers. A shorter collection period enhances cash availability, whereas a longer period may tie up funds in receivables and constrain operational liquidity. It was measured as the average number of days required to convert credit sales into cash, calculated as trade receivables divided by credit sales, multiplied by 365 days.

Corporate governance was the moderating variable, measured using a composite governance index incorporating audit committee independence, board chairperson independence, and board diversity in terms of education, gender, and tenure. Each corporate governance characteristic was first measured using established criteria and then assessed against the sample median, with the scores aggregated to obtain a composite corporate governance score, where higher scores indicate stronger corporate governance.

Firm size was measured as the natural logarithm of a company's total assets at the end of the financial year and was included as a control variable because larger firms are generally expected to have stronger monitoring systems in place and face higher levels of public and regulatory scrutiny, which can influence their financial performance.

The study employed hierarchical panel regression analysis to examine both the direct effect of accounts receivable period on financial performance and the moderating effect of corporate governance on this relationship:

Direct effect: $FPit = \beta_0 + \beta_1 FSit + \beta_2 ARPit + Yt + \varepsilon it$
Moderation: $FPit = \beta_0 + \beta_1 FSit + \beta_2 ARPit + \beta_3 CGit + \beta_4 (CGit \times ARPit) + Yt + \varepsilon it$

Where FP = Financial Performance, ARP = Accounts Receivable Period, CG = Corporate Governance, FS = Firm Size, β_0 = Intercept, ε = Error term, i = firm, t = time, and Yt = year fixed effects. The research hypothesis was tested at a 0.05 significance level.

An introductory letter was obtained from the School of Business at the University of Eastern Africa, Baraton, to confirm the academic purpose of the study and support the acquisition of the necessary authorisation from relevant authorities, including NACOSTI. All sources were appropriately cited and referenced, and the data were accurately recorded, analysed, and reported without manipulation.

FINDINGS AND DISCUSSION

Firm Selection

The study focused on non-financial firms listed on the Nairobi Securities Exchange (NSE) and employed secondary data primarily obtained from audited annual financial statements sourced from the NSE and African Financials. A panel data design was adopted, covering 32 non-financial firms that met the inclusion criteria over the ten years from 2016 to 2025, yielding 320 firm-year observations. Firms that were not continuously listed throughout the study period or were listed after 2016 were excluded to enhance consistency and comparability across the panel.

Descriptive Statistics

Accounts Receivable Period registered a mean of 88.311 days (SD = 21.259), bounded by a minimum of 33.172 days and a maximum of 155.181 days. This indicates that, on average, sampled non-financial firms on the Nairobi Securities Exchange required approximately 88 days to convert credit sales into cash during the study period. The spread between the minimum and maximum underscores distinct working capital and credit management strategies across the sample: while some entities maintain stringent credit control policies with collection cycles as short as one month, others extend generous trade credit facilities exceeding five months. Consistent with these findings, Garikai and Sibindi (2022), in a study of working capital management practices and financial performance in the South African retail sector, acknowledged that timely collection of receivables enhances return on assets (ROA), while delayed recovery of receivables ties up funds that could otherwise support business operations and investment.

Corporate Governance registered a mean score of 0.548 (SD = 0.104), with values ranging from 0.217 to 0.803, indicating that, on average, sampled firms satisfied approximately 54.8 per cent of the key governance benchmark criteria during the observation period. This is summarised in the table below.

Table 1: Summary Statistics Table of Variables

Variables	Obs	Min	Max	Mean	Std. Dev.
FP	320	-0.501699	1.155547	0.3926761	0.2984985
FS	320	4.974178	21.02732	11.99479	2.826688
ARP	320	33.1715	155.1813	88.31103	21.25884
APP	320	31.12905	187.834	98.16627	25.57707
ICP	320	28.56628	116.0233	77.44185	15.03494
CG	320	0.2170389	0.8026539	0.5475851	0.1042964

Source: Researcher, 2026

FP: Financial Performance, FS: Firm Size, ARP: Accounts Receivable Period, APP: Accounts Payable Period, ICP: Inventory Conversion Period, CG: Corporate Governance

Correlation Analysis

The accounts receivable period had a negative and statistically significant association with financial performance (r = -.3981, p = .05). This means that an increase in the accounts receivable period is associated with a decrease in financial performance among firms listed on the NSE. This finding concurs with Ibrahim et al. (2026), who found that accounts receivable management had a negative and statistically significant effect on profitability, suggesting that longer collection periods reduce firm profitability.

Corporate governance had a positive and statistically significant association with financial performance (r = .1405, p = .05), suggesting that firms with stronger corporate governance mechanisms may be better positioned to strengthen accountability, oversight, and the efficiency of managerial decision-making.

Table 2: Correlation Results

	FP	FS	ARP	APP	ICP	CG
FP	1.0000					
FS	0.1404 *	1.0000				
ARP	**-0.3981***	-0.0570	1.0000			
APP	0.4205 *	-0.1489 *	0.0388	1.0000		
ICP	-0.4670*	-0.0383	0.0321	-0.0244	1.0000	
CG	0.1405 *	-0.1273 *	0.0334	-0.0091	-0.1146	1.0000

FP: Financial Performance, FS: Firm Size, ARP: Accounts Receivable Period, APP: Accounts Payable Period, ICP: Inventory Conversion Period, CG: Corporate Governance

* Correlation is significant at the 0.05 level (2-tailed).
Source: Researcher, 2026

Regression Results and Hypothesis Testing

The accounts receivable period had a negative and statistically significant effect on financial performance (β = -0.0055, p = .000 < 0.05). This finding is further supported by the 95 per cent confidence interval of -0.0069024 to -0.0040813, which excludes zero, confirming that the effect is consistently negative and statistically significant. This suggests that delayed collection of receivables ties up funds in outstanding debts, limiting their availability for productive investment and short-term financial obligations, and consequently weakening firm performance. The finding is consistent with Yegon et al. (2021), who established a negative and significant relationship between accounts receivable collection period and financial performance among tea firms in Kenya. Similarly, Nasimiyu (2024) noted that the accounts receivable period is a key factor influencing financial performance, whereby shorter collection periods are associated with improved profitability.

Corporate governance had a positive and statistically significant effect on financial performance (β = 0.3767, p = .000 < 0.05, 95% CI [0.171772, 0.5816679]). The finding suggests that stronger corporate governance enhances monitoring, accountability and managerial oversight, thereby improving the efficient use of firm resources and financial outcomes.

The interaction between corporate governance and accounts receivable period was positive and statistically significant (β = 0.0180, p < .05). This indicates that a one-unit increase in the interaction between corporate governance and accounts receivable period is associated with a 0.0180-unit increase in financial performance. The p-value below 0.05 provides sufficient evidence to reject the null hypothesis, concluding that corporate governance significantly moderates the relationship between accounts receivable period and financial performance. This suggests that stronger corporate governance weakens the negative effect of a prolonged accounts receivable period on financial performance, implying that effective corporate governance mechanisms enhance monitoring, accountability, and control over credit and receivables management, thereby cushioning firms against the adverse financial consequences associated with delayed collection of receivables. This finding aligns with Muhammad et al. (2024), who postulated that corporate governance serves as a mechanism for improving return on assets by strengthening oversight and promoting more efficient management of firm resources.

Table 3: Summary of Regression Results

Variable	β	p-value
Accounts Receivable Period (direct effect)	-0.0055	.000
Corporate Governance (direct effect)	0.3767	.000
Corporate Governance × Accounts Receivable Period	0.0180	.000

Table 3 presents the regression results for the effect of accounts receivable period and corporate governance on financial performance. The accounts receivable period had a negative and statistically significant direct effect on financial performance (β = -0.0055, p = .000), indicating that a longer period taken to collect receivables from customers is associated with lower financial performance. Corporate governance had a positive and statistically significant direct effect on financial performance (β = 0.3767, p = .000), showing that firms with stronger governance structures tend to record higher financial performance. The interaction term between corporate governance and accounts receivable period was positive and statistically significant (β = 0.0180, p = .000), confirming that corporate governance significantly moderates the relationship between accounts receivable period and financial performance. Specifically, the positive coefficient indicates that stronger corporate governance weakens the negative effect of a prolonged accounts receivable period on financial performance, suggesting that firms with more effective governance mechanisms are better able to manage credit and collection practices and thereby cushion themselves against the adverse effects of delayed receivables collection.

Conditional Direct Effects and Financial Performance

Accounts receivable period had a negative and statistically significant effect on financial performance (β = −0.0052838, p = 0.000 < 0.05); a one-day increase in the accounts receivable period is associated with a 0.0053-unit decrease in financial performance. The results show that firm size has a positive and statistically significant effect on financial performance (β = 0.019979, p = 0.000 < 0.05). This implies that a one-unit increase in firm size is associated with an estimated 0.020-unit increase in financial performance.

Figure 1 illustrates the dampening moderating effect of corporate governance on the relationship between accounts receivable period and financial performance. Across all levels of corporate governance, an increase in the accounts receivable period is associated with a decline in financial performance. However, the magnitude of this negative effect varies with the level of corporate governance. At low corporate governance, the relationship is steepest, indicating that prolonged collection periods are associated with a greater deterioration in financial performance. As corporate governance increases to its mean and high levels, the slope becomes progressively flatter, demonstrating that stronger corporate governance weakens the adverse effect of prolonged accounts receivable periods and provides a protective mechanism against declining financial performance. The conditional slopes intersect at relatively low accounts receivable periods, approximately 53–63 days.

However, the overlapping confidence intervals around this range indicate that the differences between governance levels are not statistically significant at lower receivable periods. As the accounts receivable period increases beyond this range, the slopes become more clearly separated, indicating that the mitigating effect of stronger corporate governance becomes more pronounced when firms experience longer collection periods.

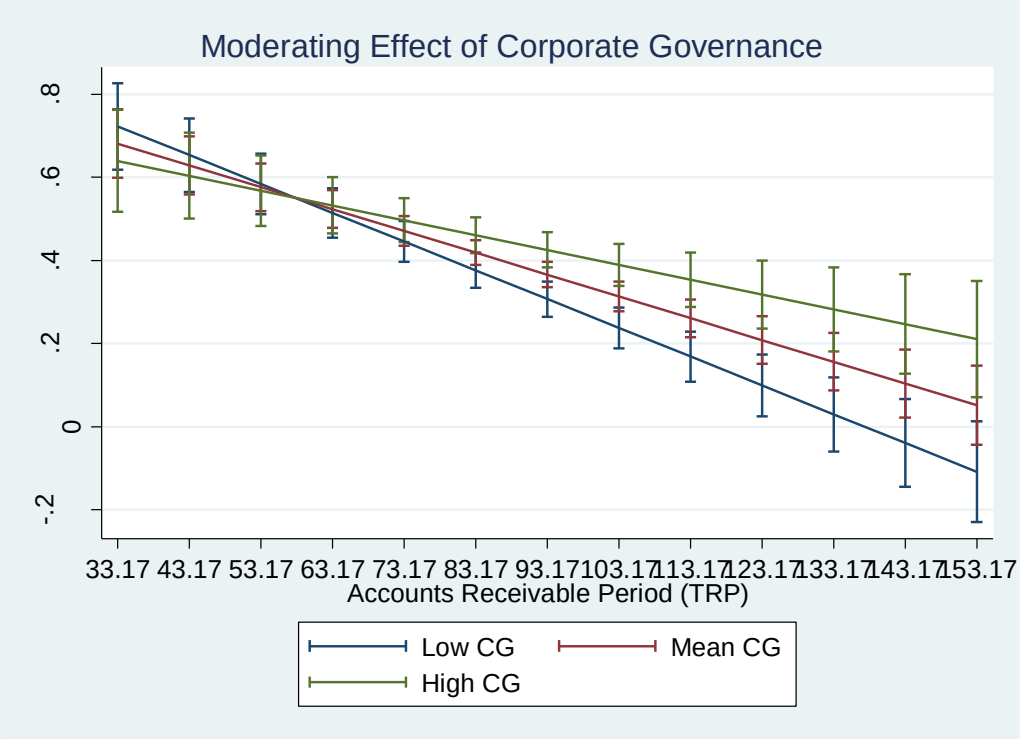


Figure 1: Mod graph on the Moderation of Corporate Governance on the Relationship Between ARP and FP

Discussion

Accounts Receivable Period (ARP): The Accounts Receivable Period (ARP) averaged 88.3110 days, with a standard deviation of 21.2588 days, indicating that, on average, the sampled non-financial firms took approximately 88 days to collect amounts due from customers. The standard deviation indicates that collection periods typically varied by about 21 days around the mean, suggesting noticeable differences in firms' receivables management practices. The minimum ARP of 33.1715 days indicates that some firms collected receivables within approximately one month, while the maximum of 155.1813 days shows that some firms took more than five months to recover amounts due from customers. This wide range reflects substantial variation in credit collection practices across the sampled firms and years. The variation in ARP has implications for financial performance, as longer collection periods may tie up funds in receivables and limit the efficient use of assets, whereas shorter collection periods may improve liquidity and facilitate more efficient asset utilisation. This aligns with Githiga and Koori (2023), who documented that receivables collection periods were significantly associated with the financial performance of agricultural firms listed on the NSE, highlighting the importance of effective receivables management in firm performance.

The study's Pearson correlation results indicate a statistically significant negative relationship between Accounts Receivable Period and Financial Performance ($r = -0.3981$, $p < 0.05$). This finding indicates that firms with longer receivables collection periods tend to exhibit lower financial performance. This means that prolonged collection periods may tie up financial resources in trade receivables, reducing the funds available for productive operating activities and increasing the opportunity cost of capital. In addition, extended periods of outstanding receivables may heighten firms' exposure to customer default and bad-debt risks, which can adversely affect ROA. This agrees with findings of Novak et al. (2021), who noted that more efficient collection of receivables may release funds for operational and investment purposes, thereby supporting improved financial performance.

The conditional direct effect from the multiple regression analysis was used to test the study hypothesis. The results

indicate that the accounts receivable period has a negative and statistically significant effect on financial performance ($\beta = -0.0055$, $p = 0.000 < 0.05$). This finding implies that an increase in the accounts receivable period is associated with a significant decline in financial performance, holding other variables constant. Therefore, the null hypothesis stating that the accounts receivable period has no statistically significant effect on the financial performance of non-financial firms listed on the NSE is rejected. The negative effect highlights the importance of efficient receivables management in maintaining adequate liquidity and supporting the timely settlement of current liabilities. Prolonged accounts receivable periods tie up funds in outstanding customer balances, thereby limiting the resources available for meeting short-term financial obligations and other productive business activities. Consequently, firms need to maintain an optimal receivables collection period that balances customer credit requirements with the need to preserve liquidity and enhance profitability. This finding is consistent with Jabbouri et al. 2022), who noted that firms can improve profitability by effectively managing the components of the cash conversion cycle, including accounts receivable, accounts payable, and inventory and maintaining each component at an optimal level.

The interaction between accounts receivable period and corporate governance has a positive and statistically significant effect on financial performance ($\beta = 0.0180$, $p < 0.05$). This indicates that a one-unit increase in the interaction between accounts receivable period and corporate governance is associated with a 0.0180-unit increase in ROA. This means that stronger corporate governance enables firms to manage accounts receivable more effectively by developing and enforcing policies that promote shorter and more efficient receivables collection periods while maintaining appropriate credit terms for customers. Such governance practices can help reduce conflicts of interest between managers and other stakeholders by strengthening monitoring and accountability (Xue et al., 2020). Effective corporate governance therefore enhances the monitoring and enforcement of credit and collection policies, helping to minimise the adverse consequences associated with prolonged receivables periods and ultimately supporting improved financial performance.

CONCLUSION AND RECOMMENDATIONS

Conclusion: The study examined the moderating effect of corporate governance on the relationship between accounts receivable period and financial performance. The findings revealed that the interaction between accounts receivable period and corporate governance was positive and statistically significant. This indicates that corporate governance positively moderates the relationship, weakening the negative effect of prolonged accounts receivable periods on financial performance. The finding aligns with the findings of Kiradoo (2019) that stronger governance enhances monitoring and accountability in receivables management, enabling firms to better manage the financial consequences of delayed collections.

Recommendations: Boards should institute and enforce credit and collection policies that promote timely receivables collection while maintaining appropriate credit terms for customers, since stronger governance has been shown to cushion firms against the adverse financial consequences of prolonged receivables periods. Firms should strengthen corporate governance mechanisms, particularly board oversight and monitoring structures, to enhance their ability to manage accounts receivable effectively.

REFERENCES

Abbas Ibrahim, U., & Isiaka, A. (2021). Working capital management and financial performance of non-financial quoted companies in Nigeria. *International Journal of Research in Business and Social Science, 10*(3), 241–258. https://doi.org/10.20525/ijrbs.v10i3.1116

Aguilera, R. V., Aragón-Correa, J. A., Marano, V., & Tashman, P. A. (2021). The corporate governance of environmental sustainability: A review and proposal for more integrated research. *Journal of Management, 47*(6). https://doi.org/10.1177/0149206321991212

Al-Faryan, M. A. S. (2024). Agency theory, corporate governance and corruption: An integrative literature review approach. *Cogent Social Sciences, 10*(1). https://doi.org/10.1080/23311886.2024.2337893

Arora, A., & Bodhanwala, S. (2018). Relationship between corporate governance index and firm performance: Indian evidence. *Global Business Review, 19*(3), 675–689. https://doi.org/10.1177/0972150917713812

Bagh, T., Nazir, M. I., Khan, M. A., Khan, M. A., & Razzaq, S. (2016). The impact of working capital management on firms' financial performance: Evidence from Pakistan. *International Journal of Economics and Financial Issues, 6*(3), 1097–1105.

Charles, S. (2018). *Accounts receivable management and financial performance of Kericho Water and Sanitation Company Limited, Kericho, Kenya* [Research project, School of Business].

Cooper, D. R., & Schindler, P. S. (2014). *Business research methods*.

Damoah, I. S., Sha'ven, W. B., Tauringana, V., & Tingbani, I. (2020). Working capital management and financial performance of UK listed firms: A contingency approach. *International Journal of Banking, Accounting and Finance, 11*(2), 173. https://doi.org/10.1504/IJBAAF.2020.10028048

Eljelly, A. M. A. (2004). Liquidity–profitability tradeoff: An empirical investigation in an emerging market. *International Journal of Commerce and Management, 14*(2), 48–61. https://doi.org/10.1108/10569210480000179

Garikai Mandipa, & Sibindi, A. B. (2022). Financial performance and working capital management practices in the retail sector: Empirical evidence from South Africa.

Githiga, L., & Koori, J. M. (2023). Working capital management and financial performance of agricultural firms listed on Nairobi Securities Exchange, Kenya. *Journal of Finance and Accounting, 7*(1), 116–138.

Hassan, U. O., Mberia, D. H. K., & Muturi, D. W. (2017). Effect of working capital management on firms' financial performance: A survey of water processing firms in Puntland. *International Journal of Economics, Commerce and Management, 5*(1), 10–20.

Ibrahim, Y., Okechukwu, O., & O. N. (2026). Effect of working capital management on financial performance. *24*(2), 261–271.

Jabbouri, I., Satt, H., El Azzouzi, O., & Naili, M. (2022). Working capital management and firm performance nexus in emerging markets: Do financial constraints matter? *Journal of Economic and Administrative Sciences*. https://doi.org/10.1108/JEAS-01-2022-0010

Jensen, M., & Meckling, W. (2012). Theory of the firm: Managerial behaviour, agency costs, and ownership structure. In *The economic nature of the firm: A reader* (3rd ed., pp. 283–303). https://doi.org/10.1017/CBO9780511817410.023

Kaushik, A. C. (2024). A comparative study on the financial performance of HDFC and ICICI Bank, 2017–2022. *International Journal of Research Publication and Reviews, 5*(3), 4037–4045. https://doi.org/10.55248/gengpi.5.0324.0790

Kiradoo, G. (2019). Impact of corporate governance on the profitability and financial performance. *Journal of Management, 6*(3), 192–196.

Mugo, M. K. (2016). *Effect of trade receivables management on the profitability of manufacturing firms listed in the Nairobi Securities Exchange* [Master's research project].

Muhammad Aslam, Rana Tanveer Hussain, & M. A. (2024). The moderating role of corporate governance on the relationship between working capital management and firm performance: An empirical study on the emerging economy of Pakistan. *Social Science Review Archives, 2*(2), 421–433.

Munene, F., & Tibbs, C. Y. (2018). Accounts receivable management and financial performance of Embu Water and Sanitation Company Limited, Embu County, Kenya. *International Academic Journal of Economics and Finance, 3*(2), 216–240.

Nasimiyu, A. E. (2024). Cash flow management practices and financial performance of small and medium business enterprises in Kenya. *African Journal of Commercial Studies, 4*(3), 252–263. https://doi.org/10.59413/ajocs/v4.i3.7

Nastiti, P. K. Y., Atahau, A. D. R., & Supramono, S. (2019). Working capital management and its influence on profitability and sustainable growth. *Business: Theory and Practice, 20*, 61–68. https://doi.org/10.3846/BTP.2019.06

Naz, M. A., Ali, R., Rehman, R. U., & Ntim, C. G. (2022). Corporate governance, working capital management, and firm performance: Some new insights from agency theory. *Managerial and Decision Economics, 43*(5), 1448–1461. https://doi.org/10.1002/mde.3466

Njoroge, J. N. (2017). *Effect of corporate governance practices on working capital management for listed companies at the Nairobi Securities Exchange* [Research project].

Noreen, S., Haroon, H., & Majeed, F. (2018). Corporate governance and firm's financial performance: Evidence from Pakistan. *Case Studies Journal, 7*(9), 28–36.

Novak, B., Porta, M. Della, Caggiano, I., & Caggiano, F. (2021). Working capital management and profitability: Empirical evidence. *International Journal of Business Management and Economic Research, 12*(4), 1953–1959.

Oyedele, O., Adeniran, O. J., & Oluwatosin, E. (2017). Working capital management and financial performance: Evidence from Nigerian Breweries PLC. *International Journal of Innovative Finance and Economics Research, 5*(3), 29–36.

Ramachandran, Azhagaih, & Janakiraman, M. (2009). The relationship between working capital management efficiency and EBIT. *Managing Global Transitions, 1*(7), 75–100.

Vural, G., Sökmen, A. G., & Çetenak, E. H. (2012). Affects of working capital management on firm's performance: Evidence from Turkey. *International Journal of Economics and Financial Issues, 2*(4), 488–495.

Wasiuzzaman, S. (2015). Working capital and firm value in an emerging market. *International Journal of Managerial Finance, 11*(1), 60–79. https://doi.org/10.1108/IJMF-01-2013-0016

Xue, B., Zhang, Z., & Li, P. (2020). Corporate environmental performance, environmental management and firm risk. *Business Strategy and the Environment, 29*(3), 1074–1096. https://doi.org/10.1002/bse.2418

Yasir, M., Majid, A., & Yousaf, Z. (2014). Cash conversion cycle and its impact upon firm performance: Evidence from the cement industry of Pakistan. *Global Business & Management Research: An International Journal, 6*(2), 139–149.

Yazdanfar, D., & Öhman, P. (2014). The impact of cash conversion cycle on firm profitability: An empirical study based on Swedish data. *International Journal of Managerial Finance, 10*(4), 442–452. https://doi.org/10.1108/IJMF-12-2013-0137

Yegon, C. K., Nairobi, O., & Muturi, W. (2021). Effect of working capital management decisions on financial performance: Evidence from Kenya's tea sector. *International Journal of Finance & Banking Studies, 10*(4).