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EFFECT OF INVENTORY MANAGEMENT ON BUSINESS VALUATION

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Abstract
The study ascertained the effect of inventory management on the firm's business valuation of health care manufacturing firms in Nigeria, using debtors' collection period, creditors' payment period, inventory turnover as the independent variables and operating cash flow as the dependent variable. Ex Post Facto research design was employed. A sample of seven (7) health care manufacturing firms was used. Data for the study were extracted from the annual audited reports and accounts of the sampled firms. The data were analyzed with descriptive statistics and the hypotheses were tested using panel regression methods. The study showed that debtors' collection period, creditors' payment period inventory turnover have insignificant effect on operating cash flow of the health care firms. This implies that inventory management practices had a positive insignificant effect on the firm's business performance. Based on the outcomes from the study, the study recommended among others that Health care firms should adopt effective and efficient inventory cost management practices as well as deploy appropriate modern technology for effective inventory management and control.

Key words: Inventory management, debtors' collection period, creditors' payment period inventory turnover and operating cash flow

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Introduction

Inventories Are assets held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Several decades ago inventories of raw materials, components and finished goods were kept as high as possible against the possibility of running out of materials in stock (Abdulraheem et al, 2001). However, keeping large inventories tied down resources and generates hidden costs. Likewise, too much inventory consumes physical space, creates a financial burden, and increases the possibility of damage, spoilage and loss. On the other hand, too little inventory often disrupts business operations (Augustine & Ago, 2013). The objective of material management is to maximize the use of firms' resources by ensuring adequate supply of material for production process and also minimizing the cost of holding excessive inventories. Inventories are significant portions of current assets to any business enterprise. It plays a vital role in keeping organizational activities running effectively. No operation can take place without proper and adequate inventory on the ground (Budambula, 2014).

Managing inventory is a crucial aspect of working capital management. Organization need materials to produce finished goods, as such efficient managing of inventory will affect the financial performance of the organization. The organization needs to keep adequate resources to cater for working capital needs especially inventory (Ukpe et al 2021). Inventory control is the supply of goods and services at the right time with the right quality and quantity (Ebenezer & Asiedu, 2013).

Inventory management is one of the most important business processes during the operation of a manufacturing company as it relates to purchases, sales and logistic activities. It concerned with the control of stocks throughout the whole supply chain. Inventory control sits at the data level where the day-to-day business is organized. Activities here are data driven and are primarily concerned with short-term planning and recording of events (Sarma, 2017). Inventory control is concerned with maintaining the correct level of stock and recording its movement. It deals mainly with historic data. Inventory is an the goods as raw material in progress, finished products, general Suppliers and equipment etc. inventory control may defined as systematic location, storage and Recording of goods in such a way that desired degree of service can be made to the operating shops at minimum ultimate cost. The need for inventory control is to maintain stock of goods and ensure Manufacturing according to the production schedule based on sale requirement and the lowest possible ultimate cost to the customer.

Inventory management has been a problem to many business organizations in Nigeria. Inventories provide a significant link between production and sales of a product and constitute a large percentage of the cost of production (Deloof, 2003). It is one of the most expensive and important assets of many manufacturing companies representing a considerable percentage of the total invested capital (Falope, & Ajirole, 2009). As such, roper care and effective management must be a concern of top management in planning phase. Efficient allocation and monitoring is the answer to inventory management. A better inventory management enhances the financial performance of a company.

Several studies were conducted by different researchers, but there is no con-census on the outcome (Hassan, et al 2014). Some found that there is positive and significant relationship between the variables, while others assume otherwise. Almost all the studies conducted in Nigeria, none was conducted on the conglomerate company. This research intends to breach the gap of academic research by using a panel data of conglomerate companies quoted on the

Nigeria Stock Exchange for five years in order to validate or invalidate the existing findings and also to give a wider coverage of time, as well as covering the whole population of the study (Keitany, Wanyoike & Richu, 2014)

Inventory management plays an important role in every company as any ineffective inventory system will result in loss of customers and sales. An effective inventory management is able to generate more sales for the company which directly affects the performance of the company (Lwiki, *et al*, 2013). Therefore, it requires a systematic inventory management which is managed by a group of employees who are expert in this area.

Most studies in the manufacturing sector concentrate on the western companies as the awareness about systematic inventory management exist in the west. Therefore, this research attempts to widen the geographical scope by examining a manufacturing company in Nigeria. The broad objective of this study is to assess the effect of inventory management on the firm's business valuation of health care manufacturing firms in Nigeria, The specific objectives are to:

1. Determine the effect of debtors' collection period on operating cash flow of health care manufacturing firms in Nigeria.
2. Ascertain the effect of creditors' payment period on operating cash flow of health care manufacturing firms in Nigeria.
3. Evaluate the nature of the effect of inventory turnover on operating cash flow of health care manufacturing firms in Nigeria.

Review of Related Literature

Inventory Management

This is how units of stock are required by an organization in a given period to enable smooth business operations. A good stock plan set in advance will enable planners to set procurement/purchase dates and quantities that are consistent with the plan to avoid disruptions due to inventory shortages (Dilworth 2004). Garry (2002) stated that involves the planning, ordering and scheduling of the materials used in the manufacturing process. It exercises control over three types of inventories i.e. raw materials, work in progress, and finished goods. Purchasing is primary concerned with control over the raw materials inventory, which includes; raw materials or semi-processed materials, fabricated parts and maintenance, repair and operations.

Inventory Valuation

The inventory is priced at the earliest costs. This means that the unused raw materials (closing stock) are constituted by the goods, which were not recently purchased. Physical Inventory Counts -The inventory value should be provided to Umpire Information System (UIS) Accounting Office within one week after the fiscal year end. Adjustments to correct discrepancies must be adequately documented by management (Piasecki, 2003).

It is also a stock control technique, which refers to the establishment of the value of stock and thus its implication on the profits. Lacey (2005) identified the following methods of stock valuation; First in First out (FIFO), Last in First out LIFO) and the average price method. First in First out (FIFO) is a method whereby prices of goods are determined by depending on the oldest stock until all the units are finished and then the second oldest is used to determine the prices and the trend continues. Kamukama (2006) opined that FIFO method follows the principle that materials received first are issued first. After the first lot or batch of materials purchased is exhausted, the next lot is taken up for supply.

Inventory Control

Inventory control is the activity, which organizes the availability of items to the customers of the organization, It co-ordinates the purchasing, manufacturing and distribution functions to meet the marketing needs (Agum, Awogbemi & Taimako, 2018). This role includes the supply of current sales items, new products, consumables, spare parts, obsolescent items and all others supplies (Wild, 2002) Lysons and Gillingham (2003) write that inventory control refers to the techniques used to ensure that stocks of raw materials, WIP and finished goods are kept at levels which provide maximum service levels at minimum costs.

An effective Inventory Control System should; Minimize time and carrying costs, Maintain sufficient stock for smooth production, sales operation and on sufficient customer service (Agum, Awogbemi & Taimako, 2018). In addition, control investment in inventories or keep an optimum level (Pandey, 2002). Different business concerns may apply different inventory practices to meet specific requirements and circumstances to help in containing the costs associated with inventory Stock valuation. Wood Frank (2002) reported the way materials are valued has amplification on the firms reported profit and the material usage and balance therefore different inventory profit reported by firms. The different materials valuation techniques include Last in First out (LIFO), First in First out (FIFO), average cost method and net realizable value (Agum, Awogbemi & Taimako, 2018).

Inventory Turnover Period

Different types of inventories are used to satisfy different purposes. Raw material inventories are used to make production scheduling easier, to take advantage of price changes and quantity discounts, and to hedge against supply shortages. Work-in-progress inventories serve to make the production process smoother and more efficient they provide a buffer between the various production processes. Finished goods inventories have to be held to provide immediate services to customers and to stabilise production by separating production and sales activities. Most firms cannot produce immediately when customers demand goods. Failure to supply products to customers when demanded would mean loss of sales to competitors Therefore, holding finished goods inventory helps to serve customers on a continuous basis and to meet their fluctuating demands (Scherr, 1989).

The motives for holding inventories, includes; contractual, speculative, precautionary and transactions motives. Maness and Zietlow (2005) documented that the reasons for holding inventory are summarized in these three motives:

1. Transaction motive: The Company must always be able to satisfy their customers' demand that can fluctuate unexpectedly over time.
2. The precautionary motive: in case of unexpected events like machines breaking down or material running out it is good to have some back up.
3. The speculative motive: in case of unexpected events like orders from own suppliers failing or other interruptions or opportunities an inventory back up can be well in hand.

The goal of inventory management is to ensure a firm does not lose sales by having too little inventory and does not loss money by investing in too much inventory (Mathur, 2002). Excess investment in inventories are unprofitable and inadequate investments are not desirable (Fabozzi & Peterson, 2003). Hence, the firm should operate within the two danger points. Additionally, proper inventory management requires close coordination among the sales, purchasing, production, and finance departments. The sales/marketing department is generally the first to spot changes in demand. These changes must be worked into the company's purchasing and manufacturing schedules, and the financial manager must arrange

any financing needed to support the inventory buildup. Lack of coordination among departments, poor sales forecasts, or both, can lead to disaster (Brigham & Houston, 2003). Inventory management helps to hold the costs of ordering and carrying inventories to the lowest possible level.

The inventory turnover period is calculated by taking the average amount of inventory, i.e., taking the sum of the beginning and ending balance of inventory for a year, and divide with two. The average amount of inventory is then divided with the cost of goods sold. The amount is then multiplied with the number of days in a year (i.e., 365) (Lantz, 2008).

$$Average\ number\ of\ days\ inventory = \frac{Average\ Inventory}{Cost\ of\ goods\ sold}\ x\ 365$$

Debtor's Collection Period

Accounts receivables arise when a firm sells its goods on credit. Depending on the payment terms, the company might receive cash in weeks or even months (Too, Kubasu, & Langat, 2016). Allowing credit increases sales but also has costs associated with its management. Account receivables (trade credit) also have opportunity cost associated with them, because company can't invest this money elsewhere until and unless it collects its receivables. Lost sales resulting from not granting credit constitute the opportunity cost which decrease when the amounts of receivables are increased (Too, Kubasu, & Langat, 2016).

Michalski (2003) in his study observed that an increase in the level of accounts receivables increases both the net working capital and the costs of holding and managing accounts receivables, which both lead to a decrease in firm value. Major risks that arise from granting credit include bad debts and debtor delinquency, because they reduce the returns from the investment in accounts receivable, and if inadequately monitored can impact severely on the business's financial performance (Brigham & Houston, 2012).

The average collection period is calculated by dividing the sum of the opening and ending balance of account receivables with two and divide this with the net sales. The amount is multiplied with the number of days in a year (i.e., 365) (Lantz, 2008).

$$Average\ number\ of\ days\ accounts\ recievable = \frac{Average\ accounts\ recievable}{Net\ Sales}\ x\ 365$$

The study by Duru, Ekwe, and Okpe (2015) on a sample of food and beverage manufacturing firms in Nigeria; showed that accounts receivable has a negative and non-significant relationship with profitability.

Creditor's Payment Period

Purchases on credit give rise to accounts payables. According to Hampton and Wagner (1989) "When a firm makes a purchase on credit, it incurs an obligation to pay for the goods according to the terms given by the seller. Until the cash is paid for the goods the obligation to pay is recorded in accounts payables". Unlike credit from financial institutions, trade credit does not rely on formal collateral but on trust and reputation (Fafchamps, 1997). Creditors are a vital part of effective cash management and should be managed carefully to enhance the performance and the cash position of a firm.

The primary goal of account payable is to ensure on-time, accurate payments in compliance with internal controls, tax requirements and other regulations. Raheman and Nasr (2007) reported that delaying payment of accounts payable to suppliers allows firms to access the quality of bough products and can be inexpensive and flexible source of financing.

The creditor's payment period is calculated by dividing the sum of the opening and ending balance of account payables with two and divide this with the cost of goods sold. The amount is multiplied with the number of days in a year (i.e., 365) (Lantz, 2008).

$$Average\ number\ of\ days\ accounts\ payable = \frac{Average\ accounts\ payable}{Cost\ of\ goods\ sold}\ x\ 365$$

Operating Cash Flows

Cash flows refer to the net amount of cash and cash-equivalents being transferred into and out of a business (Investopedia, 2018). Cash flow is an index of the money that is actually received by or paid out by a firm for certain time period (Albrecht, 2003).

Cash flows from operating activities of an entity show the extent to which the principal operations of the entity (production, trade, and rendering of services), except for investing and financing activities, can generate cash flows. They generally include transactions in the "normal" operations of the firm. Such cash flows are the principal financing source for maintaining and developing the operating capability of the entity, repaying loans, paying dividends, and making new investments. Examples of cash inflows from operating activities of the entity are:

i. Cash receipts from the sale of goods and the rendering of services;
ii. Cash receipts from commissions, royalties and other income;
iii. Cash receipts from prepayments of customers;
iv. Cash receipts from recovery of trade debts;
v. Covered insurance claims;
vi. Cash receipts from sales of held-for-resale non-current assets;
vii. Cash receipts from sales of held for trading purposes securities of other entities (for example, shares, bonds) and other non-current investments;
viii. Dividends received from other entities (if these inflows are classified as an operating activity according to the accounting policies);
ix. Interest received (if these inflows are classified as an operating activity according to the accounting policies).

Examples of cash outflows from operating activities of the entity are: cash payments to suppliers of raw materials, goods and services; cash payments to entity's employees; taxes paid; cash payments to purchase current investments; insurance premiums paid; cash payments to purchase held-for-resale non-current assets; cash payments to purchase securities of other entities for trading purposes; dividends paid (if these outflows are classified as an operating activity according to the accounting policies); interest paid (if these outflows are classified as an operating activity according to the accounting policies).

Kolias (2011) tested inventory-performance link using construction firms listed in Bursa Malaysia, it was found that there is a positive correlation between inventory turnover and capital intensity as a result of the nature of investments. Chase (2009) explained the concept of inventory management brings in the total systems approach to managing the entire flow of information, materials and services from raw materials suppliers through factories and warehouses to the end user/customer. The study further confirmed that a firm's success depends on how they manage their materials effectively. They indicate that it is important to monitor inventory at each stage because it ties up resources. Therefore, effective inventory management is fundamental to the survival of business, industry and economy. Anichebe and Agu (2013) examined the effects of inventory management on organizational effectiveness in selected organizations in Enugu, to assess the impact of proper inventory management on organizational performances in Yemenite, Hardis & Dromedas, and the Nigeria Bottling

Company all in Enugu, Enugu State. Descriptive research method, especially survey, and case study were employed in carrying out the study. Their study indicates that there is a significant relationship between good inventory management and organizational effectiveness. Inventory management has a significant effect on organizational productivity. There is a highly positive correlation between good inventory management and organizational profitability. The study concluded that Inventory Management is very vital to the success and growth of organizations. Ogbo, Onekanma and Wilfred (2014) carried out a study on the effect of the effective system of inventory management on organization performance in the seven-up bottling company, Nile Mile Enugu. Four research questions and Four hypotheses were generated and tested at 10% (that is 0.10) significant level using descriptive statistics and a non-parametric test (chisquare that is, X2). They found that there is a relationship between operational feasibility, the utility of inventory control management in the customer related issues of the organization and cost effectiveness technique are implemented to enhance the return on investment in the organization. Effective inventory control management is recognized as one of the areas management of any organization should acquire capability. It is recommended that organizations should adopt the inventory keeping method that best suits their operations. Kamau and Assumpta (2008) carried out a study on the influence of inventory management on organizational competitiveness, with a particular focus on Safaricom Ltd Kenya. A descriptive research design was used in this study. Both descriptive and inferential statistics were utilized to analyze the results interpreted in terms of percentages and means score and presented in tables and figures. The study found that inventory shrinkage, inventory investment, and inventory turnover affects the competitiveness of Safaricom Ltd. The study concludes that inventory management practices are very vital to the competitiveness of organizations.

Methodology

The study adopted *Ex Post Facto* research design. This is premised on the fact that the researcher sought to make a systematic empirical inquiry, with no observable/direct control of independent variables because their manifestations have already occurred or because they are inherently not manipulated. The population of the study comprised health care manufacturing firms listed on the Nigerian exchange group (NGX) as at 31st December 2022. The sample comprised of seven health care manufacturing firms in Nigeria. The companies are shown below:

Fidson Healthcare, Glaxosmithkline Nig, May & Baker Nig, Meyer Plc, Morison Industries, Neimeth Int Pharm, and Pharma-Deko

Sources of Data

Data for the study were extracted from the annual audited reports and accounts of the studied firms. The data was extracted from the Income Statement, Statement of Financial Position and Statement of Cash flows.

Methods of Data Analysis

The data were analyzed with descriptive statistics and the hypotheses were tested using panel regression methods. The choice of this method is premised on the fact that panel data are most suited to the study of the dynamics of adjustment and better able to identify and measure effects that are simply not detectable in pure cross-sections or pure time-series data.

Model specification

This study modified the model of 1Agum, Awogbemi and Taimako (2018).

$OE = \beta 0 + \beta 1\ IP$ - - - - - - - - i

$TD = \beta 0 + \beta_2\ IV$ - - - - - - - - ii

$CR = \beta 0 + \beta_3 IC$ - - - - - - - - iii

Where;
IP = Inventory planning
OE = operational performance
TD = timely delivery
IV = Inventory valuation
CR = cost reduction
IC = inventory control

Modified model thus;

$LOCF_{it} = \beta_0 + \beta_1 DCPit + \beta_2 CPP_{it} + \beta_3 IVT_{it} + \beta_4 LEV_{it} + \varepsilon$ - - - - - i

Where;
LOCF = log operating cash flow (dependent variable)
DCP =Debtor's collection periods (independent variable)
CPP = Creditor's payment periods (independent variable)
IVT = Inventory turnover (independent variable)
LEV = firm leverage (control variable)
β_0 =is the constant,β_1 = is the coefficient of the explanatory variables for the model.
ε =is the error term that captures the stochastic variables in the model
i = is the collection of the firms involved in the study
t = is the time series.

Decision Rule
The decision rule relates to the sign and significance of the computed *t-statistic* from the regression output. If the p value of the *t-statistic* < *.05* (the chosen alpha level) the null hypothesis is rejected; and, the variable is postulated to have a significant effect.

Data Analysis
Table 1: Descriptive Statistics

	LOCF	DCP	CPP	IVT	LEV
Mean	3.765502	104.3745	279.7388	174.4088	1.226190
Median	3.935366	103.5664	270.7429	170.4700	1.464286
Maximum	5.126004	123.4071	336.0600	201.5400	2.308571
Minimum	2.445484	82.43571	243.0814	157.3600	-0.798571
Std. Dev.	0.926015	15.19723	36.47588	17.50405	1.061429
Skewness	-0.027347	-0.118409	0.552718	0.497050	-1.260861
Kurtosis	2.200946	1.834987	1.871352	1.808631	3.449635
Jarque-Bera	0.160370	0.353335	0.623959	0.601899	1.640314
Probability	0.922946	0.838059	0.731997	0.740115	0.440363
Sum	22.59301	626.2471	1678.433	1046.453	7.357143
Sum Sq. Dev.	4.287517	1154.779	6652.451	1531.959	5.633158
Observations	42	42	42	42	42

Source: E-view output, 2024

The descriptive statistics in table 1 revealed that the operating cash flow of the sampled films is 3.766; the maximum of 5.126 with a minimum of 2.445 with a standard deviation of 0.926. The debtor's collection periods (DCP) from the sampled observations are 104.375; standard deviation of 15.197; a maximum observation of 123.407 with a minimum value of 82.436. The mean value of creditor's payment periods (CPP) stood at 279.739, a standard deviation of 36.476; maximum observation of 336.060 with a minimum value of 243.081. The mean of inventory turnover (INT) is at the average of 174.409; standard deviation of 17.504; a maximum observation of 201.540 with a minimum value of 157.360. The mean of firm

leverage (LEV) is at the average of 1.226; standard deviation of 1.061; a maximum observation of 2.309 with a minimum value of -0.799.

Skewness is the portion of how much the probability distribution of a random variable strays from the normal distribution. Table 1 outlines that the probability distribution for DCP (0.838); CPP (0.732); STT (0.740) and LEV (0.440) are positively skewed distribution.

Test of Hypotheses

To ascertain the effect between the dependent variable (LOCF) and the independent variables (DCP, CPP, IVT and LEV) and to also test the hypotheses, the study used a pooled multiple regression analysis since the data had both time series (2017-2022) and cross sectional properties (Nigerian health care manufacturing firms). The pooled interaction based multiple regression results are presented and discussed in table below.

Table 2: Panel Least Square Regression analysis testing the relationship between LOCF, DCP, CPP, IVT and LEV

Dependent Variable: LOCF
Method: Panel Least Squares
Date: 08/09/24 Time: 06:36
Sample: 2017 2022
Periods included: 6
Cross-sections included: 7
Total panel (balanced) observations: 42

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.131251	9.360175	0.655036	0.6308
DCP	0.023198	0.062142	0.373307	0.7725
CPP	0.023332	0.046899	0.497492	0.7061
IVT	-0.067298	0.111306	-0.604626	0.6538
LEV	0.345397	1.023341	0.337519	0.7928

R-squared	0.279840	Mean dependent var	3.765502
Adjusted R-squared	0.600799	S.D. dependent var	0.926015
S.E. of regression	1.757184	Akaike info criterion	3.840210
Sum squared resid	3.087697	Schwarz criterion	3.666676
Log likelihood	6.520629	Hannan-Quinn criter.	3.145540
F-statistic	0.097145	Durbin-Watson stat	1.954799
Prob(F-statistic)	0.967362		

Source: E-Views 9.0 Correlation Output, 2024

Interpretation of Regression Result

From the table above, R-squared and adjusted Squared values were (0.28) and (0.60) respectively. The indicates that all the independent variables jointly explain about 60% of the systematic changes in operating cash flow (LOCF) of the samples firms over the six years periods (2017-2022). The table revealed an adjusted R^2 value of 0.60. The adjusted R^2, which represents the coefficient of multiple determinations suggest that 69% of the total changes in the dependent variable (LOCF) of health care manufacturing firms in Nigeria is jointly explained by the explanatory variables (DCP, CPP, IVT and LEV). The adjusted R^2 of 60% did not constitute a problem to the study because the F- statistics value of 0.097 with an associated Prob.>F = 0.967 indicates that the model is fit to explain the relationship expressed in the study model and further submits that the independent variables are properly selected, combined and used. The value of adjusted R^2 of 60% also revealed that 40% of the variation in the dependent variable is clarified by other factors not taken in the study model.

Using Durbin-Waston (DW) statistics which we obtained from our regression result in table 2, it is observed that DW statistics is 1.965 and an Akika Info Criterion and Schwarz Criterion which are 3.840 and 3.667 respectively also further confirms that our model is well specified.

In addition to the above, the specific findings from each independent variable are provided as follows:

Hypothesis 1

Ho_1: Debtors' collection period has no significant effect on operating cash flow of health care manufacturing firms in Nigeria.

Table 2 showed that debtors' collection period has no significant effect on operating cash flow of health care manufacturing firms in Nigeria. This can be detected from the beta coefficient (β_1) of 0.023 with p value of 0.773 which is not statistically significant at 5% level of significance.

Since the P-value of the test was 0.773 higher than 0.05 (5%)., this study maintains that debtors' collection period has a positive insignificant effect on operating cash flow of health care manufacturing firms in Nigeria, consequently, null hypothesis is accepted and alternative hypothesis rejected.

Hypothesis two

Ho_2: Creditors' payment period has no significant effect on operating cash flow of health care manufacturing firms in Nigeria.

Table 2 showed that creditors' payment period has no significant effect on operating cash flow of health care manufacturing firms in Nigeria. This can be detected from the beta coefficient (β_1) of 0.023 with p value of 0.706 which is not statistically significant at 5% level of significance.

Since the P-value of the test was 0.706 higher than 0.05 (5%)., this study maintains that creditors' payment period has a positive insignificant effect on operating cash flow of health care manufacturing firms in Nigeria, consequently, null hypothesis is accepted and alternative hypothesis rejected.

Hypothesis three

Ho_3: Inventory turnover has no significant effect on operating cash flow of health care manufacturing firms in Nigeria.

Table 2 showed that inventory turnover has no significant effect on operating cash flow of health care manufacturing firms in Nigeria. This can be detected from the beta coefficient (β_1) of -0.067 with p value of 0.654 which is not statistically significant at 5% level of significance.

Since the P-value of the test was 0.654 higher than 0.05 (5%), this study maintains that inventory turnover has a negative insignificant effect on operating cash flow of health care manufacturing firms in Nigeria, consequently, null hypothesis is accepted and alternative hypothesis rejected.

Conclusion and Recommendations

The study ascertained the effect of inventory management on the firm’s business valuation of health care manufacturing firms in Nigeria, using debtors' collection period, creditors'

payment period inventory turnover as the independent variables and operating cash flow as the dependent variable. Data for the study were extracted from the annual audited reports and accounts of the sampled firms. The data were analyzed with descriptive statistics and the hypotheses were tested using panel regression methods.

The study showed that debtors' collection period, creditors' payment period inventory turnover have insignificant effect on operating cash flow of the health care firms. This implies that inventory management practices had a positive insignificant effect on the firm's business performance. It is therefore apparent that effective record management is essential function of inventory management thus in order to improve inventory process.

Based on the outcomes from the study, the study recommended the followings;

1. Health care firms should adopt effective and efficient inventory cost management practices as well as deploy appropriate modern technology for effective inventory management and control.
2. The management firm needs to modernize its inventory management system to increase efficiency. Improving inventory practices calls for a high degree of collaboration and visibility across all parties as well as utilizing sophisticated technologies. Use of technologies such as and web-based technologies in the institution should be adopted.
3. Management should not only undertake Inventory planning in order to improve operation and sustain the performance of the institution and its competitiveness and financial performance. Management should put into consideration the degree of control and evaluation of inventory invested in so that these assets can provide liquidity to the institution with ease.

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