



**Why do Pakistani firms invest in Accounts Receivable? A
mixed-method approach**

Journal:	<i>Qualitative Research in Financial Markets</i>
Manuscript ID	QRFM-01-2025-0002.R1
Manuscript Type:	Research Paper
Keywords:	Trade Credit, Accounts Receivable, Mixed Methods, Emerging Markets, Pakistan

SCHOLARONE™
Manuscripts

Why do Pakistani firms invest in accounts receivables? A mixed-methods approach

Abstract

Purpose- The purpose of this study is to explore the reasons behind accounts receivable investment in Pakistani firms.

Design/Methodology/Approach: This study uses an exploratory sequential mixed-methods approach, integrating qualitative and quantitative analyses for a comprehensive perspective. The qualitative phase develops a grounded conceptual framework and includes interviews with Chief Financial Officers (CFOs) from Pakistani Stock Exchange (PSX) listed firms. The quantitative phase analyzes secondary data from non-financial PSX-listed firms from 2009 to 2018.

Findings- The study reveals that corporate governance, business risk, auditor quality, and earnings management significantly influence accounts receivable (AR) decisions in Pakistani firms, while complexity, sales variations, technology, and industry competition do not. Many firms lack formal AR policies, relying on the discretion of board members' and CEOs. The findings challenge the financial advantage theory, supporting the product quality hypothesis and price discrimination theory, suggesting that established firms may not require credit sales and that firms with higher profit margins invest more in AR.

Research limitations/Implications: This study highlights the importance of implementing country-specific AR policies and utilizing mixed-method approaches in AR research. Policy makers should develop tailored AR policies for emerging markets, particularly Pakistan, by considering each nation's unique dynamics. Researchers should adopt mixed methods approach to gain a comprehensive understanding of AR studies, facilitating the design of effective financial policies, legal frameworks, and credit management practices.

Originality/value: The originality and significance of this research reside in its dual-phase methodology, elucidating both qualitative insights and quantitative evaluation of the conceptual model.

Keywords Trade credit, Accounts Receivable, Mixed methods, Pakistan stock exchange, non-financial firms

Paper type Research paper

1. Introduction

Investing in accounts receivable (AR) can boost sales and profitability by extending customer credit and building long-term relationships (Schwartz, 1974; Kim & Atkins, 1978; Cheng & Pike, 2003). However, it also carries risks like payment delays, defaults, and bad debts, which may lead to financial distress and offset the gains (Blasio, 2005). AR is a critical component of a firm's balance sheet, playing an essential role in financing and liquidity management across both developed and developing economies. In the United Kingdom, AR represents approximately 21.6% of total current assets, based on recent government statistics (UK Statistics Authority, 2024). In the United States, the proportion is even higher in certain sectors—such as employment services—where AR comprises about 43% of total assets (Vertical IQ, 2025). Similarly, in India, industry data show that AR accounts for nearly 39.7% of sales in sectors like aerospace and defense, underscoring its significance in credit-based transactions (Deep AI Finance, 2025). For Pakistan, Table 2 presents the descriptive statistics, indicating that 30 percent of total sales are made on credit. These figures clearly demonstrate that AR is not merely a bookkeeping item, but a vital mechanism for sustaining business operations, managing liquidity, and supporting growth across diverse economic contexts. Extensive research exists on why firms invest in AR, but it is largely Western-centric and primarily quantitative, often overlooking qualitative insights and perspectives from developing countries (Pattnaik et al., 2020). This study fills that gap by adopting a mixed-method approach to investigate AR investment in Pakistani firms, integrating quantitative and qualitative analyses to offer a comprehensive understanding within a developing country context.

Research on AR in South Asian economies like India and Pakistan identifies key factors such as profitability, liquidity, firm size, and inventory management. In India, highly profitable firms with better access to bank financing offer less trade credit, as they are less dependent on credit to boost sales (Vaidya, 2011). In contrast, Pakistani firms show a size-based pattern: smaller firms rely more on trade credit due to limited bank access, while larger firms extend more credit to strengthen customer relationships (Afzal, 2018). AR also plays a crucial role in inventory management by helping firms manage excess stock and drive sales growth (Ahmed et al., 2014; Vaidya, 2011). During financial crises, such as in 2008, Pakistani firms increasingly relied on trade credit as access to bank credit declined, underscoring its complementary function (Ahmed et al., 2015). However, much of the existing research on emerging economies simply applies Western models to new datasets, often failing to reflect the distinct dynamics of developing markets. In developed economies, firms benefit from stable markets, robust legal systems, and diverse financing options, enabling strategic AR management with less dependence on trade credit. They can offer extended credit terms with lower risk, leveraging trade credit to strengthen customer relationships and improve market positioning (Niskanen & Niskanen, 2006). In contrast, firms in developing economies—particularly SMEs—face limited access to finance, economic instability, and weak legal enforcement, making trade credit a vital funding source. Economic volatility and high inflation lead to shorter credit terms, while informal credit assessments heighten nonpayment risks. AR management in these settings tends to be less structured, often relying on personal relationships rather than formal systems, with trade credit used more out of necessity than strategy (Vaidya, 2011; Afzal, 2018). These contrasts between developed and developing countries highlight the need for a paradigm shift toward exploring context-specific drivers of AR investment in developing economies.

This paper advocates for a mixed-methods approach to provide a comprehensive and contextually grounded analysis of the factors influencing accounts receivable investment in developing and emerging economies. By combining the strengths of both qualitative and quantitative methods, mixed-methods research helps overcome the limitations of each (Jick, 1979). This approach is especially valuable in developing contexts, where Western models often fall short in capturing local economic realities, informal business practices, and cultural influences (Mazambani & Mutambara, 2017). This approach reveals underlying motivations, social norms, and cultural influences, enabling more accurate, grounded theories of financial behavior in these settings. Moreover, it has significant practical implications, offering policymakers and businesses in these regions more comprehensive insights that can inform better decision-making, strategy development, and policy formulation. Ultimately, the use of mixed methods in developing countries leads to the creation of financial models and strategies that are tailored to the specific needs and challenges of these economies, supporting more effective economic development and growth.

The remainder of this paper is organized as follows. Section 2 examines the existing literature on the key determinants of AR investment and formulates fundamental hypotheses. Section 3 delineates the exploratory sequential mixed-methods approach, followed by a detailed exposition of the qualitative phase and its findings in Sections 4 and 5, respectively. The paper subsequently presents the details of the quantitative phase and its findings in Sections 6 and 7, respectively, and concludes with Section 8.

2. Literature Review

Over time, research has expanded to explore why firms extend credit and what influences AR investment levels. Recent studies highlight factors influencing trade credit supply and AR management. Aguiar-Díaz, Mruk, and Ruiz-Mallorquí (2024) found that judicial efficiency boosts seller confidence, increasing trade credit supply. Nguyen and Nguyen (2022) identified a U-shaped relationship between CSR engagement and AR in Chinese firms, where low CSR reduces risk and builds trust, but high CSR raises agency costs. This pattern also applies to Chinese SMEs, with financial slack and firm size moderating the effect (Shou et al., 2020). Wei, Liu, and Luo (2023) confirmed that CSR improves trade credit access by lowering systematic risk and enhancing seller trust. Ma et al. (2022) linked better readability of CSR reports to increased trade credit.

Theoretically, financial motive theory sees AR as a financing tool for firms' commercial goals (Petersen & Rajan, 1997; Mian & Smith, 1992; Schwartz, 1974), while marketing theory views it as a sales driver (Petersen & Rajan, 1997; Long et al., 1993; Nadiri, 1969). Product differentiation theory suggests AR helps firms differentiate products (Nadiri, 1969), and quality guarantee theory links AR to information asymmetry (Van Horen, 2007; Ng et al., 1999; Long et al., 1993). Price discrimination theory argues suppliers adjust prices based on credit terms (Wilner, 2000; Mian & Smith, 1992). Drawing on theoretical models and empirical studies, this section develops hypotheses for key determinants of AR identified in the literature.

First, the relationship between a firm's creditworthiness, reputation, and AR has been studied extensively. Petersen and Rajan (1997) and Huyghebaert (2006) argue that larger and older firms with higher creditworthiness and reputation can access cheaper external financing, enabling them to extend more trade credit to their customers. This is consistent with the financial advantage

theory of trade credit, which suggests that suppliers have a cost advantage over traditional financial institutions in obtaining information and monitoring their customers, thereby facilitating credit extension. However, there are contrasting views in the literature. Long et al. (1993) hypothesize that larger firms with better reputations do not need to extend trade credit to guarantee their products or boost sales, leading to a negative relationship between creditworthiness and AR. Ahmed, Xiaofeng, and Khalid (2014) further support this view, arguing that larger firms face lower storage costs and liquidity issues, reducing their reliance on credit sales. Thus, we hypothesize as follows:

H1: A negative relationship exists between firm size and AR.

Age can be explained in a similar way to the size that older firms have more reputation and less need to grant credit to increase their market share. Therefore, we hypothesize as follows:

H2: There is a negative relationship between age and AR.

Commercial motive theory suggests product quality is a key factor in determining AR (Garcia-Teruel & Martinez-Solano, 2010). Firms with higher product quality, reflected by lower asset turnover, often extend credit to reassure customers. Smith (1987) and Long et al. (1993) argue that trade credit helps reduce information asymmetry, especially when quality verification takes time. Empirical evidence shows firms with lower asset turnover—indicating higher quality—typically hold higher AR levels. Lee and Stowe (1993) also highlight trade credit as a tool to guarantee product quality and build long-term supplier-customer relationships. Therefore, we hypothesize as follows:

H3: A negative relationship exists between product quality and AR.

Price discrimination is another reason firms extend trade credit. Brennan et al. (1988) and Mian and Smith (1992) argue that firms use AR to offer varied payment terms tailored to customers' financial needs, boosting sales and profits, especially with higher gross margins. Empirical studies by Garcia-Teruel and Martinez-Solano (2010) and Pike et al. (2005) confirm that firms with higher gross margins are more likely to use trade credit for price discrimination. Therefore, hypothesis four is:

H4: A positive relationship exists between price discrimination and AR.

A firm's ability to extend trade credit depends largely on its internal resource generation, especially cash flow. Firms with higher cash flow can afford to grant more credit (Niskanen & Niskanen, 2006; Garcia-Teruel & Martinez-Solano, 2010a). However, they face a trade-off between financing receivables and investing in growth opportunities, often prioritizing projects with positive net present value over tying up cash in receivables.

H5: There is a positive relationship between the capacity to generate internal resources and AR.

Sales growth is a key driver for extending trade credit, as credit terms attract more customers and boost sales. Petersen and Rajan (1997) and Ahmed et al. (2014) find a positive AR-sales growth link, especially in the U.S. However, this relationship varies by region; Garcia-Teruel and Martinez-Solano (2010) report a negative correlation in European firms, indicating that growth may lead to reduced reliance on credit sales. Hypothesis six is therefore:

1
2
3 *H6: A negative relationship exists between sales growth and AR.*
4

5 External financing costs significantly affect AR. Firms facing higher costs tend to extend less trade
6 credit (Garcia-Teruel & Martinez-Solano, 2010), especially in developed economies with mature
7 capital markets. In developing economies, where external financing is scarce, this relationship may
8 differ. We hypothesize that:
9

10
11 *H7: There is a positive relationship between the cost of external finance and AR.*
12

13 **3. Research Design: Mixed Methods**

14
15 This study adopts a pragmatic paradigm, prioritizing the research problem over strict adherence to
16 a singular philosophical stance. This study utilizes an exploratory sequential mixed methods
17 research design (Creswell et al., 2003) to thoroughly investigate the determinants of AR. The
18 mixed methods approach combines inductive qualitative exploration with deductive quantitative
19 validation, allowing for a comprehensive investigation of accounts receivable (AR) determinants.
20 The qualitative phase employs an inductive approach to uncover emergent themes through in-
21 depth interviews, while the quantitative phase tests these findings using hypothesis-driven
22 statistical analysis. This sequential design ensures that the study captures both the depth of
23 managerial perspectives and the generalizability of empirical validation.
24
25

26 **4. Qualitative Phase**

27 *Sampling Strategy*

28
29 The study used purposive sampling to select participants with direct expertise in AR management,
30 including CFOs, credit managers, and senior marketing executives. This approach, aligned with
31 qualitative research principles (Creswell, 2013; Patton, 1990), ensured that respondents possessed
32 the necessary insights to address the research objectives. However, the sampling strategy
33 introduced certain limitations, including a geographic focus on Lahore-based firms and a gender
34 imbalance (all-male respondents due to industry demographics). To mitigate potential bias, the
35 sample encompassed diverse industries—such as cement, textiles, footwear, home appliances,
36 rubber, spare parts, tiles, food, and glass—as well as varying organizational roles (e.g., CFOs,
37 deputy managers). Additionally, alternative interviewees were approached when initial candidates
38 were unavailable. To further enhance credibility, member checking was conducted by sharing
39 preliminary findings with some participants for feedback, though time constraints limited this
40 practice across all respondents.
41
42
43

44 *Data Collection*

45 The interview guide was developed iteratively, grounded in established qualitative research
46 principles. Questions were structured around core research themes—such as managerial
47 perceptions of credit policies and receivables practices—to ensure alignment with study objectives
48 (Miles & Huberman, 1994). The semi-structured format allowed for open-ended questioning
49 (e.g., "How do you see the relationship between short-term resources and accounts receivable?")
50 while permitting follow-up probes (e.g., "Why?") to elicit deeper insights. Initial broad questions
51 (e.g., on general policies) evolved into more focused inquiries (e.g., "Does top management
52 actively guide credit policies?") as themes emerged, enhancing precision without constraining
53 respondent-led discourse.
54
55
56
57
58
59
60

1
2
3 While formal pilot testing was not conducted due to logistical constraints (e.g., participant
4 availability, travel limitations), the interview guide underwent rigorous review by academic
5 supervisors and peers familiar with qualitative methods to refine clarity and minimize bias
6 (Bryman & Bell, 2011). Additionally, participants received the protocol in advance, allowing them
7 to reflect on responses and identify potential ambiguities (Strauss & Corbin, 1998). A total of 9
8 interviews varied between 25 and 45 minutes were conducted (Appendix 1)
9

10 11 *Data Analysis*

12 The qualitative analysis followed Creswell's (2013) framework, beginning with data preparation,
13 where all nine interviews were transcribed and audio recordings were reviewed to ensure accuracy
14 and capture contextual nuances, such as tone and emphasis. Preliminary themes and observations
15 were documented in a research diary, aiding in the reconstruction of participants' perspectives on
16 AR determinants. The coding process adhered to a structured three-stage approach—open, axial,
17 and selective coding—to systematically analyze the data. Open coding involved segmenting
18 responses and assigning initial labels while posing sensitizing questions (e.g., What does this
19 reveal about managerial priorities?). Irrelevant or weakly supported codes were discarded, and
20 saturation was confirmed when no new insights emerged. Axial coding then grouped these codes
21 into broader categories (e.g., "credit policy enforcement" or "customer risk assessment"),
22 revealing relationships between factors such as firm policies and receivable levels. Manual coding
23 was selected for its suitability to the small dataset and its capacity for deeper engagement with the
24 material. Finally, selective coding integrated these categories into core themes, forming a cohesive
25 narrative that addressed the research question. Saturation was achieved when coding no longer
26 yielded new patterns, with redundant or weak categories merged or eliminated. Interpretation
27 consolidated these themes into a final data structure. For instance, a key theme—
28 "trade-offs between liquidity and sales growth"—emerged from codes like "flexible payment
29 terms" and "default risk," explaining divergent managerial practices observed in later quantitative
30 findings. To ensure rigor, two researchers independently coded a portion of the data, resolving
31 discrepancies through consensus.
32
33
34
35

36 37 **5. Qualitative findings and additional hypotheses**

38 Interviewees confirm the reasons for investments in AR captured by existing literature; however,
39 the main contribution of the qualitative phase is the emergence of novel reasons for investments
40 in AR by Pakistani firms. The reasons are explained in this section, which develops additional
41 hypotheses and forms the basis of a more grounded research framework (Figure 1).
42
43

44 45 *Corporate Governance*

46 Corporate governance (CG) is the first theme to emerge in the qualitative phase. Participants
47 stressed the role of board members, who play an active role in deciding who and how much to
48 grant credit, monitoring, recovery, and all other aspects regarding granting AR. Specific
49 departments exist in some of the sample companies and are authorized to decide upon any decision
50 regarding AR, but even in those companies, board members intervene and guide their sales
51 managers with their experience. The remaining companies lack a systematic approach that allows
52 dealing with customers in this regard. Interestingly, sample companies are renowned, claim
53 themselves as market leaders, and are well reputed firms. The following quotation helped us
54 determine CG as a determinant factor for AR in a firm:
55
56
57
58
59
60

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

“... meetings are supervised and monitored by directors, and when all of us (the accounts department, sales department, brokers, and board of directors) are involved in this process, good results occur. Directors first asks about minutes of previous meeting that what team has committed has done it or not and make it sure that not too much money is stuck in shape of receivables” (interviewee 1)

“... When they gain trust of directors and general manager then they decide that how much credit must be given to new client” (Interviewee 2)

“... We do not have data from any institution about credit rating like banks have so managing director and board of director use their own experiences and judgment and give guidance” (interviewee 4)

“... owners meet with other owners in parties and discusses customers and then they make up their minds regarding whom to give credit and how much” (Interviewee 5)

The CEO and board of directors are liable to make procedures concerning the management of cash, inventory purchases and maintenance, accounts payable (AP), AR, and all other policies in the firm. Therefore, the size of the board and CEO duality play a vital role in the firm and might lead to overbalances of cash, high investments in AR, high volume of AP, and a fast cash conversion cycle (Gill and Biger, 2013). Respondents argued that a large board size, board independence, a greater number of meetings, and CEO duality bring effectiveness on the board, which in turn allows close monitoring for debtors. This effective scrutiny by the board reduces the risk of granting credit to customers, which may lead to bad debts. This reduction in risk allows the company to enjoy an increased market share by granting more AR. Therefore, this study expects to find a positive relationship between corporate governance and AR.

H8: A positive relationship exists between corporate governance and AR.

Auditor quality

Auditor quality was found to be another determinant of AR. This factor predicts the future behavior of a firm in offering credit sales. It is pressure on firms to comply with their acts, IAS, and IFRS. Auditors exert this pressure, which also helps firms develop a high-quality financial reporting framework. This financial reporting framework helps credit managers avoid overinvestment in AR by offering appropriate guidelines. If firms are audited by high-quality auditors, they will end up with a good financial reporting framework. Therefore, firms with high-quality auditors should not overinvest in AR. The quotation given below compensates for this factor:

“IFRS 9 recently gave new guidance upon creating provisions and as per companies act, we must follow IFRS and IAS and auditors ensures the implementation of these standards. They scrutinize the amount of receivables and check the provisions made and if some debtor found for a long period in aging report auditors then plays their role accordingly” (Interviewee 8)

However, some participants claimed the following.

1
2
3 “We have no credit policy because we do not extend credit due to our reputation and brand
4 name” (Interviewee 3).
5

6
7 *H9: A negative relationship exists between auditor quality and AR.*

8
9 *Business risk*

10 According to interviewees, if AR is used to make business, then bad debt also increases, but if
11 consideration is to boost falling sales, then they also accept a small number of bad debts. However,
12 if too much money is involved in AR and an outstanding balance cross limit set by management,
13 the board of directors and the entire top management ring the bell and intervene.
14
15

16 “Sometimes when companies want to enter into the market or increase it or they want to
17 sale on higher rates they grant more credit but in fact in our industry risk consideration is
18 more important than rate” (Interviewee 1)
19

20 “We involve broker to reduce the risk of bad debts” (Interviewee 1)

21 To cover operating expenses and instability in product demand companies in off season tend to
22 use more offers of credit sale. Another participant sheds light on this by arguing:
23

24 “If they do not make generous policy of trade credit, they may not possibly survive due to
25 inability of covering fixed costs from low sales and market share” (interviewee 5)
26

27 This argument and the codes provide sufficient evidence for business risk as a factor that firms
28 consider before granting credit to customers.
29

30 *H10: A positive relationship exists between business risk and AR.*

31
32 *Industry competition*

33 Despite the intent to cover operating expenses, most participants, even those from big houses,
34 confessed the role of high competition, which provided motivation to grant credit sales.
35

36 “In cement industry most of transactions occur on cash. Credit is in very little amount in
37 our company but still we give credit to some customers which are trustworthy otherwise
38 we lose our market share due to high competition” (Interviewee 3)
39

40 These big players in the market, even when entering a new market, receive support from AR offers
41 to customers. However, for small firms, this is a big tool for survival.
42

43 “In our home appliances industry use of relaxing credit policy is a big tool to compete in
44 market. If our credit period is shorter and our competitors grant more days for payment
45 customers (retail customers and dealers), it will shift to competitors. ...Some are trying to
46 cover their cost and survive, and some companies are trying to catch more market share
47 to cope with high competition” (Interviewee 9).
48

49 In such cases, sales competition is often fierce, and firms in that industry face a significant risk of
50 not being able to earn a sustainable profit. This, in turn, creates a race among firms with similar
51 products and services to capture a large chunk of market share. Generous credit standards and
52 relaxed credit terms are useful tools to generate sales.
53

54
55 *H11: A positive relationship exists between industry competition and AR.*
56
57
58
59
60

Technology

Technology usage to create and maintain accounting data can determine AR. Artificial intelligence and big data are used by different brands to analyze different aspects and create big data about their customers. Different interviewees talked about the dashboard facility within the accounting information system; if it is available to board members, they can make better and faster decisions to grant credit after analyzing the customer's profile. The Accounts department regularly updates accounts and software such as SAP and Oracle to provide credit-related information to decision makers even on their personal devices, regardless of whether they came to office or not.

“Our directors have dashboard facility of accounting information system and he/she can see sale for one lag day without asking this data from accounts or marketing department manually. They can access the aging report from the dashboard, and now, some more companies are also going towards artificial intelligence. We are using oracle software and Tariq Glass (their direct competitor) are using SAP” (interviewee 8)

This results in a better cash-out position, improved capital control, better communication with customers, reduced administrative costs, shorter payment cycles, and minimal credit risk. This creates differences for the two companies, one for which their top personnel are using this dashboard facility (using artificial intelligence and big data) and the second for which their personnel do not benefit. Former companies can make better and faster decisions regarding AR, thus making optimal investments. Later, companies are slow to process information about clients and can lose their market share. Thus, we propose the following hypothesis:

H12: Technology and AR have a negative relationship.

Earnings managements

Managers' performance and incentives depend on the company's performance. They may be involved in deliberately reducing the percentage of provision, thus increasing profits. Earnings management involves the alteration of financial reports to mislead stakeholders about an organization's underlying performance. One area of estimation involves bad debt in relation to AR.

“We usually do not create provisions on behalf of our past experience” (Interviewee 3)

“We follow IFRS 9 and past experience in creation of provision which is very low amount in our company” (Interviewee 6)

These comments are not sufficient evidence to not create a provision; however, the absence of the provisions reduces reported expenses in an accounting period, which may result in more profitability.

“We do not create provision because we can justify to auditors with our past experience of bad debts” (Interviewee 9)

However, ethical manners and the accounting profession require that whenever a company records a credit sale, it must provide a proper percentage of the provision for doubtful debt. It manipulates the financial record without breaking generally accepted accounting principles because making financial statements involves many educated estimations and subjective judgments that can cover the manager's intentions. One of these estimations includes bad debt with regard to the AR.

1
2
3 *H13: A positive relationship exists between earnings management and AR.*

4
5 *Complexity*

6
7 Interviewees from the home appliance industry stressed on the complexity of their operations.
8 They claimed that, due to the greater number of products, firms use AR as a tool to cover non-
9 profitable products in the short run.
10

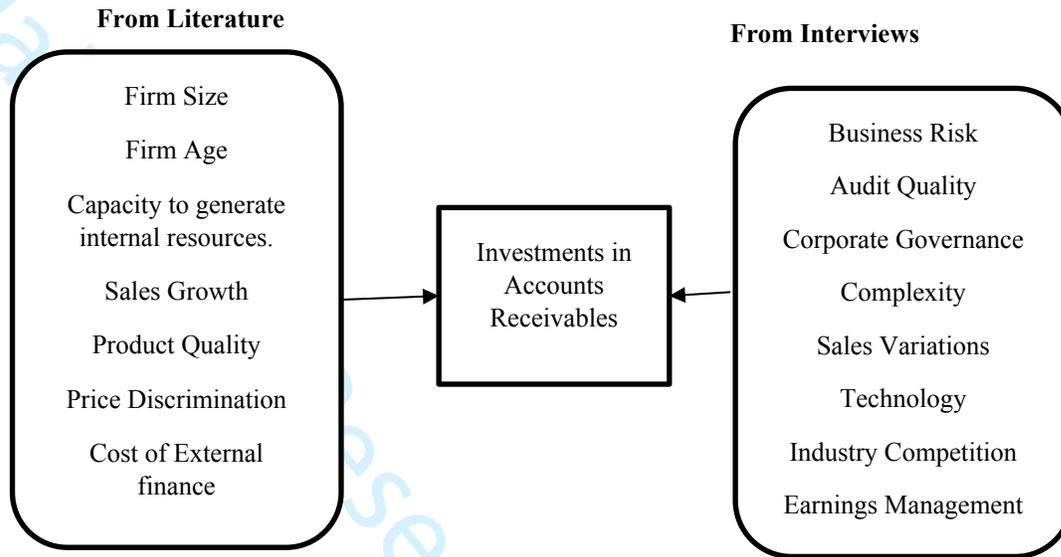
11 *“A big difference in accounts receivable policy for home appliance industry is the*
12 *difference of days of credit offered to customer. This industry is complex in terms of its*
13 *operations. We sell air conditioners, refrigerators, and many other products. However,*
14 *this may not be profitable. But to enter in the market, make our name and to cover the cost*
15 *of non-popular products we need to get support of trade credit” (Interviewee 9)*

16
17 *“In glass manufacturing we have numerous types of products like jams jar, beverages*
18 *bottles..., and many other types. They all are not profitable, and we do not want to discard*
19 *them instantly and to give time to product we need to give it support either from another*
20 *product or mainly from trade credit” (interviewee 8)*
21
22

23 These two responses let us focus on the complexity of operations in a firm that can play a vital
24 role in trade credit policy.
25

26
27 The high complexity of operations and business transactions will probably become the reason for
28 less information integration and more problems in management control systems within a company
29 (Doyle et al., 2007; Ge & McVay, 2005). Gordon et al. (2009) and Hoyt and Liebenberg (2011)
30 tested the relationship and found it positive between complexity and enterprise risk management.
31 The complexity of a business process is linked to the trouble, uncertainty, and interdependence
32 associated with its activities of a business process (Karim et al., 2007). With this high number of
33 operations and in an attempt to cover all costs, these businesses have more opportunities to offer
34 more trade credit to their customers.
35

36
37 *H14: A positive relationship exists between business complexity and AR.*
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Figure 01: Research Framework

6. Quantitative Phase

Findings from the qualitative phase, alongside determinants identified in the literature, form the conceptual framework for this study. This framework is then empirically tested in the second phase, completing the exploratory research design.

Measurement of variables

For traditional variables, we followed Petersen and Rajan's (1997) definitions. The dependent variable, REC, is the AR-to-sales ratio. Firm size (SIZE) is the logarithm of total assets, and age (AGE) is years since incorporation plus one. Product quality (TURN) is sales divided by total assets. Price discrimination (GPROF) is gross margin (gross profit divided by sales). Operating cash flow-to-sales ratio (CFLOW) proxies' internal resource generation. Positive sales growth (PGROWTH) is a dummy set to one if sales growth is positive, zero otherwise; sales growth is calculated as (current sales – previous sales)/previous sales. External finance cost (FCOST), a control variable, is finance cost divided by long-term debt.

Auditor quality (BIG4AUD) was measured using a dummy variable: one for firms audited by Big Four firms and zero for others, following Meza (2013). Corporate governance was evaluated through variables such as board size (BSIZE), board independence (BIND), board meetings (MEET), CEO duality, board gender (BGENDER), and a governance score index (GOVSCORE). These measures are commonly used to assess their impact on firm performance (Malik and Shah, 2013) and working capital management (Gill and Bigger, 2013). Business complexity (OPSEG) was gauged by the logarithm of one plus the total number of operating segments (Karim et al., 2007) and business risk (EARVOL) by the standard deviation of operating profit over three years. Technology usage (TECH) is proxies by the ratio of R&D expenditure to total assets. Discretionary accruals (DISACCR) are measured using Jones (1991) and Meza (2013) to evaluate earnings management. Absolute discretionary accruals were derived by regressing the dependent variable

of operating cash flow minus income before extraordinary items, divided by average total assets, on the change in revenue, gross property plant and equipment, and net income before extraordinary items, divided by average total assets. Higher absolute discretionary accruals indicate higher EM. Following Gordon et al. (2009), industry competition (INDCOMP) was calculated as one minus the Herfindahl-Hirschman index (1-HHI). HHI is the sum of the squared market shares of all firms in the industry, with lower concentrations indicating higher competition. Market share is defined as each firm's sales divided by the industry's total sales.

Data and Statistical analysis

Quantitative analysis is performed in STATA. Data from the annual reports of non-financial firms listed on the Pakistan Stock Exchange (PSX) from 2009 to 2018 were collected. After refining the extreme values, 1279 firm-year observations are used. Variables such as industry competition sales variations and operating profit volatility were calculated as standard deviations for the last three years, necessitating the exclusion of data from 2009 and 2010. The study utilized a balanced panel by applying the pooled ordinary least squares (OLS) method for regression estimation. This method examines all observations and assumes no unobserved heterogeneity among the cross-sectional units over time. The theoretical rationale is that fixed effects account for the temporal, industrial, and firm-specific effects. Dummy variables for time and industry are included in the regression equation to control for these effects. However, AR primarily varies by industry rather than by firm. Interviewee 9 stated *that granting credit is not only our practice, but also the norm of the entire home appliance industry. Cement and textile would have different norms, and there may be fewer credit transactions. It varies from industry to industry.* The regression equations below illustrate these two regression models.

Model 1:

$$REC_{it} = B_0 + B_1GOVSCORE_{it} + B_2BIG4AUD_{it} + B_3OPSEG_{it} + B_4EARVOL_{it} + B_5LSALESVAR_{it} + B_6TECH_{it} + B_7INDCOMP_{it} + B_8DISACCR_{it} + B_9AGE_{it} + B_{10}CFLOW_{it} + B_{11}TURN_{it} + B_{12}GPROF_{it} + B_{13}SIZE_{it} + B_{14}FCOST_{it} + B_{15}PGROWTH_{it} + \varepsilon_{it}$$

Model 2:

$$REC_{it} = B_0 + B_1BSIZE_{it} + B_2BIND_{it} + B_3BMEET_{it} + B_4CEODUAL_{it} + B_5BGENDER_{it} + B_6BIG4AUD_{it} + B_7OPSEG_{it} + B_8EARVOL_{it} + B_9LSALESVAR_{it} + B_{10}TECH_{it} + B_{11}INDCOMP_{it} + B_{12}DISACCR + B_{13}AGE_{it} + B_{14}CFLOW_{it} + B_{15}TURN_{it} + B_{16}GPROF_{it} + B_{17}SIZE_{it} + B_{18}FCOST_{it} + B_{19}PGROWTH_{it} + \varepsilon_{it}$$

7. Quantitative Findings and Discussion

Table 02 presents the descriptive statistics for the sample firms. The mean value for REC indicates that approximately 30% of total sales are credit sales, a significant portion, and about 40% of the firms are audited by Big Four audit firms. In addition, OPSEG reflects a complexity of 18% among the sampled firms. However, there is low technology usage, as indicated by the R&D expenditure mean of 0.0001. The age is calculated by taking the log of 1 plus the years of incorporation; thus, the average age of the sample firms is 31 years ($10^{1.50-1}$). The mean value was 0.05 shows the average operating margin was 5%, and the average gross margin was 20%. The asset turnover is relatively low at an average of 1.1, compared to a maximum value of 4.54, indicating longer

production times and high-quality products. An average PGROWTH value of 0.68 indicates positive growth among the firms.

Table-2: Descriptive Statistics

	Obs.	Mean	St. Dev.	Min.	Max.
<i>REC</i>	2,109	0.295245	0.681008	0.008386	7.146699
<i>BIG4AUD</i>	2,109	0.406354	0.491269	0	1
<i>OPSEG</i>	2,109	0.182593	0.264839	0	0.90309
<i>EARVOL</i>	2,109	6.085618	19.8237	0.021213	203.3922
<i>LSALESVAR</i>	2,109	5.750022	0.827713	2.814687	7.391649
<i>TECH</i>	2,109	0.000177	0.000924	0	0.010471
<i>INDCOMP</i>	2,109	0.022171	0.986243	-0.9765	4.603952
<i>DISACCR</i>	2,109	0.079627	0.074561	0.001234	0.440974
<i>AGE</i>	2,109	1.503739	0.152274	0.778151	1.845098
<i>CFLOW</i>	2,109	0.055406	0.20473	-1.48695	1.155997
<i>TURN</i>	2,109	1.109097	0.760578	0.023812	4.548783
<i>GPROF</i>	2,109	0.203746	0.187755	-0.50125	1
<i>SIZE</i>	2,109	6.894566	0.680614	4.85007	8.384169
<i>FCOST</i>	1,971	0.77971	3.107647	0	28.86922
<i>PGROWTH</i>	2,109	0.686107	0.464184	0	1

Note: Mean represents arithmetic average. SD represents standard deviation. Min is minimum and Max in maximum value.

Table 03 shows regression results revealing a positive, significant link between corporate governance and AR in Columns I and II. Larger board size, board independence, frequent meetings, and CEO duality improve governance effectiveness and debtor monitoring, while board gender has a negative relationship with AR. Effective board oversight lowers the risk of customer credit defaults, reducing bad debt and enabling the firm to expand market share by extending more AR. These findings are consistent with the qualitative results. Contrary to Gill and Biger (2013) and Fiador (2016), who found negative links between board independence/size and receivables period and a positive link with CEO duality, this study confirms a positive and significant relationship between corporate governance and AR. The governance index also showed a positive, significant association with AR, supporting these findings.

Most interviewees focused on the corporate governance board when asked about policies for trade credit decisions. They reported that no written policies existed. Initially, new customers start on a cash basis with no credit granted early in the relationship. After several years of observation, the board of directors or CEO decides on granting accounts receivable (AR). Interviewee #09 mentioned, "There are no credit ratings available for our customers; therefore, our top management and sales personnel rely on their own experiences to make credit decisions, a practice common across the industry."

EARVOL (business risk) significantly impacts AR, with Table 03 showing a standardized coefficient of 0.385 at the 1% level, supporting H10. This positive effect aligns with the idea that firms use trade credit to attract customers unable to pay immediately, especially to cover operating

costs. During recessions or off-seasons in cyclical industries, suppliers extend credit to offset declining sales. Conversely, sales fluctuations negatively and significantly relate to AR. These findings align with interviewees' observations that firms limit credit during unstable sales periods to conserve resources, leading to reduced AR.

DISACCR (earnings management) shows a small but significant positive effect at the 5% level, supporting H13. This indicates that firms using higher absolute accruals tend to manage earnings more actively, increasing AR. Discretionary accruals influence managerial judgments, like bad debt provisions, affecting earnings. By adopting earnings-boosting policies—such as lowering bad debt provisions—firms raise AR and reduce current expenses, thus increasing reported earnings through adjustments in income statement and balance sheet methods.

Table 03 supports Long et al.'s (1993) product quality hypothesis, showing that firms with higher asset turnover engage in more quality controls, enabling them to offer credit periods for product verification. The negative, significant coefficients confirm H3, highlighting the role of trade credit in fostering long-term supplier-customer relationships. Suppliers invest in customer survival due to mutual long-term benefits (Cuñat, 2007).

The results for firm age support the product quality hypothesis of Long et al. (1993), showing a negative relationship with AR, as older firms are more reputable and less reliant on credit to assure quality—confirming H2. However, firm size is insignificant, providing no support for the financial advantage theory, which posits that larger, older firms extend credit due to better access to financing.

Table-3: Accounts Receivable Determinants

	I	II
<i>GOVSCORE</i>	0.056*** (2.38)	-
<i>BFSIZE</i>	-	0.099*** (4.25)
<i>BIND</i>	-	0.023 (0.99)
<i>BMEET</i>	-	0.057*** (2.68)
<i>CEODUAL</i>	-	0.039* (1.74)
<i>BGENDER</i>	-	-0.158*** (-6.92)
<i>EARVOL</i>	0.385*** (15.982)	0.388*** (16.45)
<i>LSALESVAR</i>	-0.131*** (-3.86)	-0.124*** (-3.71)
<i>OPSEG</i>	0.009 (0.32)	-0.011 (-0.408)

<i>TECH</i>	-0.013 (-0.55)	-0.024 (-1)
<i>DISACCR</i>	0.05** (2.26)	0.041** (1.88)
<i>TURN</i>	-0.268*** (-8.73)	-0.282*** (-9.23)
<i>AGE</i>	-0.076*** (-3.33)	-0.106*** (-4.62)
<i>PGROWTH</i>	0.009 (0.37)	0.014 (0.60)
<i>CFLOW</i>	-0.066*** (-2.39)	-0.069*** (-2.56)
<i>GPROF</i>	0.099*** (3.25)	0.119*** (3.99)
<i>SIZE</i>	0.051 (1.10)	-0.002 (-0.054)
<i>INDCOMP</i>	-0.056 (-1.59)	-0.031 (-0.91)
<i>BIG4AUD</i>	0.022 (0.91)	0.01 (0.42)
<i>FCOST</i>	-0.008 (-0.39)	-0.005 (-0.23)
<i>Adjusted R²</i>	0.43	0.457
<i>Observation</i>	1,279	1,279

Note: ***, **, * indicates coefficient is significant at 0.01, 0.05 and 0.1 level respectively

H5 is supported, as the negative and significant coefficient for internal resource generation indicates that firms in developing countries like Pakistan prefer allocating internal funds to growth projects over financing customers—consistent with pecking order theory. H4 is also accepted, affirming price discrimination theory: firms with higher profit margins use AR to tailor pricing strategies, offering early payment discounts or extended credit, thus accommodating diverse customer needs and boosting sales. However, the study finds no significant impact from industry competition, technology, complexity, auditor quality, firm size, sales growth, or external financing costs.

Some hypotheses are rejected. Firm size is not a significant determinant of AR, aligning with qualitative insights that structural and institutional factors in Pakistan differ from Western contexts. Business dealings often depend on personal relationships and trust rather than formal credit policies. Weak legal enforcement, limited credit information, and fragmented markets with low bargaining power also influence AR decisions. Sales growth is not a key factor, likely due to firms prioritizing liquidity over extending credit. Moreover, limited access to formal financing renders the cost of external finance insignificant, and in some industries, personal networks strongly influence credit decisions.

Table-04: Hypothesis results

Hypotheses	Results
H1: <i>A negative relationship exists between firm size and AR.</i>	Rejected
H2: <i>There is negative relationship between age and AR</i>	Accepted
H3: <i>A negative relationship exists between product quality and AR.</i>	Accepted
H4: <i>A positive relationship exists between price discrimination and AR.</i>	Accepted
H5: <i>There is positive relationship between capacity to generate internal resources and AR</i>	Accepted
H6: <i>A negative relationship exists between sales growth and AR.</i>	Rejected
H7: <i>There is positive relationship between cost of external finance and AR</i>	Rejected
H8: <i>A positive relationship exists between corporate governance and AR</i>	Accepted
H9: <i>A negative relationship exists between auditor quality and AR.</i>	Accepted
H10: <i>A positive relationship exists between business risk and AR</i>	Accepted
H11: <i>A positive relationship exists between Industry competition and AR</i>	Rejected
H12: <i>Technology and AR have a negative relationship.</i>	Rejected
H13: <i>A positive relationship exists between earnings management and AR.</i>	Accepted
H14: <i>A positive relationship exists between business complexity and AR</i>	Rejected

8. Implications

The interviewed firms reported having no formal policies for determining receivables levels. Decisions on granting credit are typically made by the CEO and board members based on personal experience and relationships, lacking a standardized approach. This highlights the need for firms in South Asian emerging economies, particularly in Pakistan, to establish clear Standard Operating Procedures (SOPs) and formal policies for credit standards, terms, and monitoring to improve consistency, transparency, and risk management in AR practices.

The quantitative findings underscore important implications. The strong influence of business risk on AR levels suggests the need for firms to implement Enterprise Risk Management (ERM) systems to prevent excessive receivables. Additionally, modernizing Accounting Information Systems (AIS) with integrated technology and dashboard capabilities can streamline receivables management. Traditional methods—such as manual invoicing and check processing—are inefficient. Upgraded AIS would provide real-time data access, enabling faster, data-driven decisions and improving overall credit management efficiency.

9. Conclusions

This study investigates the determinants of AR investment in Pakistani firms, addressing a key gap in the literature that predominantly centres on Western contexts and quantitative analyses. By employing a mixed-method approach, the research offers a richer, context-specific understanding of AR practices in a developing economy. The exploratory phase uncovers unique factors influencing AR decisions—such as corporate governance, business risk, auditor quality, earnings management, organizational complexity, sales fluctuations, technology use, and industry competition. Qualitative insights reveal an absence of formal AR policies, with decisions often guided by board members' and CEOs' personal judgment, highlighting the urgent need for standardized AR management frameworks in such settings.

The quantitative phase tested novel factors identified in the qualitative stage alongside traditional determinants from existing literature. Regression analysis revealed that among the novel variables, only business risk, corporate governance, auditor quality, and earnings management significantly influence AR levels in Pakistani non-financial firms. Among traditional factors, the product quality hypothesis by Long et al. (1993) was supported, along with the view that older firms, due to their established reputation, are less reliant on AR to assure product quality. The financial advantage theory, however, was not supported. Instead, firms with greater internal resource generation preferred investing in high-return projects and fixed assets over extending credit. Notably, strong support was found for the price discrimination theory, as firms with higher profit margins showed greater AR investment.

These findings have substantial implications for both policymakers and practitioners. For policymakers, this study emphasizes the importance of recognizing the diverse socioeconomic, cultural, and institutional landscapes of developing countries when formulating AR policies. This research argues against a one-size-fits-all approach, suggesting instead that AR policies should be tailored to the specific dynamics of each country. This perspective is crucial for ensuring that AR strategies are effective and relevant in different contexts, particularly in emerging markets, where business practices and economic conditions can differ significantly from those in developed countries. For practitioners, this research highlights the need for Pakistani firms to establish standardized AR management practices. This suggests that firms should develop clear policies regarding credit standards, credit terms, and credit monitoring and integrate technology such as dashboards into their accounting systems to enhance decision-making processes. By formalizing AR procedures, firms can reduce their reliance on individual judgments, thereby improving consistency and transparency in their credit management practices. Additionally, the study encourages researchers to adopt mixed methods approaches in future AR studies, combining quantitative and qualitative analyses to capture a more holistic understanding of AR investment behaviours across different contexts. Overall, the research provides valuable insights into the r of AR into the reasons for investment in Pakistani firms and offers practical recommendations for enhancing AR management in developing countries. **Future research should focus on the discovery of more contextually relevant reasons in environments where standard financial theories do not fully apply due to local institutional, economic, or cultural conditions and further empirical testing of novel reasons discovered in this study in the context of emerging and developing countries.**

References

- Afzal, S. (2018). *Causal relationship between trade credit and bank credit: An Investigation of Non-financial Pakistani firms* (Doctoral dissertation, CAPITAL UNIVERSITY).
- Aguiar-Díaz, I., Mruk, E., & Ruiz-Mallorquí, M. V. (2024). How judicial efficiency impacts trade credit and doubtful receivables. *European Journal of Law and Economics*, 57(1), 63-91.
- Ahmed, J., Xiaofeng, H., & Khalid, J. (2014). Determinants of trade credit: The case of a developing economy. *European Researcher*, (9-2), 1694-1706.
- Ahmed, J., Xiaofeng, H., Virk, M. U., & Abdullah, M. (2015). Investigation of causal relationship between trade credit and bank loan during 2008 financial crisis. *Journal of Asian Business Strategy*, 5(5), 90-98.
- Blasio, G. D. (2005). Does trade credit substitute bank credit? Evidence from firm-level data. *Economic notes*, 34(1), 85-112.
- Brennan, M. J., Maksimovics, V., & Zechner, J. (1988). Vendor financing. *The journal of finance*, 43(5), 1127-1141.
- Cheng, N. S., & Pike, R. (2003). The trade credit decision: evidence of UK firms. *Managerial and decision Economics*, 24(6-7), 419-438.
- Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approach*. Sage publications.
- Creswell, J. W., Plano Clark, V. L., Gutmann, M. L., & Hanson, W. E. (2003). Advanced mixed methods research designs. *Handbook of mixed methods in social and behavioral research*, 209(240), 209-240.
- Curran, J., & Blackburn, R. (2001). Researching the small business. *London ua*, 40(1), 8-34.
- Curran, J., Jarvis, R., Kitching, J., & Lightfoot, G. (1997). The pricing decision in small firms: complexities and the deprioritising of economic determinants. *International Small Business Journal*, 15(2), 17-32.
- Deep AI Finance. (2025). India Aerospace/Defense Industry Report. <https://deepaifinance.com/India%20Report/IndiaReport.html>
- Doyle, J. T., Ge, W., & McVay, S. (2007). Accruals quality and internal control over financial reporting. *The accounting review*, 82(5), 1141-1170.
- Fabbri, D., & Klapper, L. (2008). Market power and the matching of trade credit terms. *The World Bank*.
- Ferris, J. S. (1981). A transactions theory of trade credit use. *The Quarterly Journal of Economics*, 96(2), 243-270.
- Fiador, V. (2016). Does corporate governance influence the efficiency of working capital management of listed firms. *African Journal of Economic and Management Studies*.

- 1
2
3 Fielding, N. G., & Lee, R. M. (1998). *Computer analysis and qualitative research*. Sage.
- 4
5 García-Teruel, P. J., & Martínez-Solano, P. (2010). Determinants of trade credit: A comparative
6 study of European SMEs. *International Small Business Journal*, 28(3), 215-233.
- 7
8 Gill, A. S., & Biger, N. (2013). The impact of corporate governance on working capital
9 management efficiency of American manufacturing firms. *Managerial Finance*.
- 10
11 Gordon, L. A., Loeb, M. P., & Tseng, C. Y. (2009). Enterprise risk management and firm
12 performance: A contingency perspective. *Journal of accounting and public policy*, 28(4),
13 301-327.
- 14
15 Grant, P., & Perren, L. (2002). Small business and entrepreneurial research: Meta-theories,
16 paradigms and prejudices. *International Small Business Journal*, 20(2), 185-211.
- 17
18 Grbich, C. (2007). Epistemological changes and their impact on the field. *Qualitative data
19 analysis: An introduction*, 3-15.
- 20
21 Hoyt, R. E., & Liebenberg, A. P. (2011). The value of enterprise risk management. *Journal of risk
22 and insurance*, 78(4), 795-822.
- 23
24 Huyghebaert, N. (2006). On the Determinants and dynamics of trade credit use: Empirical
25 evidence from business Start-ups. *Journal of Business Finance & Accounting*, 33(1-2),
26 305-328.
- 27
28 Jick, T. D. (1979). Mixing qualitative and quantitative methods: Triangulation in
29 action. *Administrative science quarterly*, 24(4), 602-611.
- 30
31 Jones, J. J. (1991). Earnings management during import relief investigations. *Journal of
32 accounting research*, 29(2), 193-228.
- 33
34 Karim, J., Somers, T. M., & Bhattacharjee, A. (2007). The impact of ERP implementation on
35 business process outcomes: A factor-based study. *Journal of management information
36 systems*, 24(1), 101-134.
- 37
38 Khan, M. A. I. (2016). Working capital management and its impact on SMU's
39 performance. *IJER© Serials Publications*, 13(5).
- 40
41 Kim, Y. H., & Atkins, J. C. (1978). Evaluating investments in accounts receivable: a wealth
42 maximizing framework. *The Journal of Finance*, 33(2), 403-412.
- 43
44 Lee, Y. W., & Stowe, J. D. (1993). Product risk, asymmetric information, and trade credit. *Journal
45 of Financial and Quantitative analysis*, 285-300.
- 46
47 Long, M. S., Malitz, I. B., & Ravid, S. A. (1993). Trade credit, quality guarantees, and product
48 marketability. *Financial management*, 117-127.
- 49
50 **Ma, B., He, J., Yuan, H., Zhang, J., & Zhang, C. (2022). Corporate social responsibility and trade
51 credit: the role of textual features. *Journal of Electronic Business & Digital Economics*,
52 2(1), 89-109.**
- 53
54
55
56
57
58
59
60

- 1
2
3 Malik, M. F., & Shah, S. M. A. (2013). Value relevance of firm specific corporate governance and
4 macroeconomic variables: evidence from Karachi stock exchange. *Pakistan Journal of*
5 *Commerce and Social Sciences (PJCSS)*, 7(2), 276-297.
6
7 Marshall, C., & Rossman, G. B. (2011). Managing, analyzing, and interpreting data. *C. Marshall*
8 *& GB Rossman, Designing Qualitative Research*, 5, 205-227.
9
10 Mazambani, L., & Mutambara, E. (2017). DOWNSIDE OF CORPORATE PERFORMANCE
11 MANAGEMENT PRACTICES IN LOW-INCOME MARKETS. *Journal of Governance*
12 *and Regulation/Volume*, 6(4).
13
14 Mian, S. L., & Smith Jr, C. W. (1992). Accounts receivable management policy: theory and
15 evidence. *The Journal of Finance*, 47(1), 169-200.
16
17 Minutti-Meza, M. (2013). Does auditor industry specialization improve audit quality? *Journal of*
18 *Accounting Research*, 51(4), 779-817.
19
20 Nadiri, M. I. (1969). The determinants of trade credit in the US total manufacturing
21 sector. *Econometrica: Journal of the Econometric Society*, 408-423.
22
23 Ng, C. K., Smith, J. K., & Smith, R. L. (1999). Evidence on the determinants of credit terms used
24 in interfirm trade. *The journal of finance*, 54(3), 1109-1129.
25
26
27 Nguyen, L., & Nguyen, K. (2022). Corporate social responsibility, trade credit provision and
28 doubtful accounts receivable: the case in China. *Social Responsibility Journal*, 18(7), 1378-
29 1390.
30
31 Niskanen, J., & Niskanen, M. (2006). The determinants of corporate trade credit policies in a
32 bank-dominated financial environment: The case of Finnish small firms. *European*
33 *Financial Management*, 12(1), 81-102.
34
35 Pattnaik, D., Hassan, M. K., Kumar, S., & Paul, J. (2020). Trade credit research before and after
36 the global financial crisis of 2008: A bibliometric overview. *Research in International*
37 *Business and Finance*, 54, 101287.
38
39 Pattnaik, D., Kumar, S., & Vashishtha, A. (2020). Research on trade credit: A systematic review
40 and bibliometric analysis. *Qualitative Research in Financial Markets*.
41
42 Perren, L., Berry, A., & Partridge, M. (1998). The evolution of managerial information, control
43 and decision-making processes in small growth-oriented service sector businesses:
44 exploratory lessons from four cases of success. *Journal of Small Business and Enterprise*
45 *Development*, 5(4), 351-361.
46
47 Petersen, M. A., & Rajan, R. G. (1997). Trade credit: theories and evidence. *The review of*
48 *financial studies*, 10(3), 661-691.
49
50 Pike, R., Cheng, N. S., Cravens, K., & Lamminmaki, D. (2005). Trade credit terms: asymmetric
51 information and price discrimination evidence from three continents. *Journal of Business*
52 *Finance & Accounting*, 32(5-6), 1197-1236.
53
54
55
56
57
58
59
60

- Schwartz, R. A. (1974). An economic model of trade credit. *Journal of financial and quantitative analysis*, 643-657.
- Sehrawat, N. K., Kumar, A., Lohia, N., Bansal, S., & Agarwal, T. (2019). Impact of corporate governance on earnings management: large sample evidence from India. *Asian Economic and Financial Review*, 9(12), 1335.
- Shou, Y., Shao, J., Wang, W., & Lai, K. H. (2020). The impact of corporate social responsibility on trade credit: Evidence from Chinese small and medium-sized manufacturing enterprises. *International Journal of Production Economics*, 230, 107809.
- Smith, J. K. (1987). Trade credit and informational asymmetry. *The journal of finance*, 42(4), 863-872.
- Strauss, A., & Corbin, J. (1998). *Basics of qualitative research techniques*. Thousand Oaks, CA: Sage publications.
- UK Statistics Authority. (2024). Annual report and accounts 2023–24. <https://uksa.statisticsauthority.gov.uk/publication/annual-report-and-accounts-2023-2024/pages/4/>
- Vaidya, R. R. (2011). The determinants of trade credit: Evidence from Indian manufacturing firms. *Modern Economy*, 2(05), 707.
- Van Horen, N. (2007). Customer market power and the provision of trade credit: evidence from Eastern Europe and Central Asia. *The World Bank*.
- Vertical IQ. (2025, January 23). Q1 reports on accounts receivable and inventory reliance. <https://verticaliq.com/2025/01/23/q1-reports-on-accounts-receivable-and-inventory-reliance/>
- Wei, Y., Liu, Q., & Luo, J. (2023). How does corporate social responsibility have influence on firms' access to trade credit. *Accounting & Finance*, 63, 1321-1349.
- Wilner, B. S. (2000). The exploitation of relationships in financial distress: The case of trade credit. *The journal of finance*, 55(1), 153-178.

Appendix

Interviewee ID	Sector	Position	Gender	Age Group
1	Textile and Power	Manager accounts	Male	41-50
2	Textile, Tiles, and Foods	Senior deputy manager accounts	Male	51+

3	Cement	Manager accounts	Male	41-50
4	Shoe and accessories	Deputy manager key accounts & stock	Male	30-40
5	Textile	CFO	Male	41-50
6	Cement	Assistant manager accounts	Male	41-50
7	Shoe, Tyre, and Spare parts	Deputy manager key accounts	Male	30-40
8	Glass	Senior finance manager	Male	30-40
9	Home Appliances	Manager credit control	Male	51+