

The Effect of Comparability of Accounting Information on the Speed of Obtaining Optimal Commercial Credit: the Generalized Moments Approach¹

Vahab Rostami², Mehdi Mohammadi³, Hamed Kargar⁴

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Research Paper

INTRODUCTION

The speed of adjustment of commercial credit indicates the speed of companies reaching the optimal level or the target commercial credit that the company can make the most use of this source of financing. Because trade credit is the most important source of short-term financing, which plays a fundamental role in the business activities of any company, the high level of use of this source and the high speed of its adjustment indicates the level of trust of suppliers and creditors in companies. Companies with high commercial credit receive the goods and services they need from suppliers without paying cash, and banks and other lenders also grant them facilities by checking the company's commercial credit. Companies often deviate from the target and optimal level of commercial credit, and in this situation, the company cannot use all its capabilities in this field. Managers are trying to achieve the target commercial credit with a higher speed because this type of credit is a suitable alternative to external financing and various factors can affect the company's achievement of the optimal level of commercial credit. Companies whose information is of higher quality receive higher commercial credit, and the ability to compare financial statements provides valuable information about the company's financial performance. Due to the inappropriate image of external financing and being in the focus of competitors' attention, according to the agency theory, managers apply for commercial credit and use all their efforts in this field, because according to the hierarchical theory, the cost of asymmetry Information is very high due to lack of information transparency in external financing. Financial reports of companies are one of the most basic information elements for decision-making by users in the capital market, including shareholders, analysts, and financial creditors. Therefore, this information should be easy to understand. Previous studies have shown that information asymmetry is an effective factor in making decisions about granting commercial credit,

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2. Assistant Professor, Department of Accounting, Payame Noor University, Tehran, Iran. Corresponding Author. (Vahab.rostami@pnu.ac.ir).

3. Assistant Professor, Department of Accounting, Zanzan Branch, Islamic Azad University, Zanzan, Iran. (mahdi.mohhamadi@iau.ac.ir).

4. M.Sc. Department of Accounting, Payame Noor University, Tehran, Iran. (hamedkargar37@gmail.com).
jaasci.alzahra.ac.ir

the second reasonable guess of the present study, based on the above-presented foundations, is the effect of comparability of financial statements on the speed of obtaining Companies have optimal commercial credit, which is presented as follows:

Research hypothesis: the comparability of accounting information has a direct effect on the speed of obtaining optimal commercial credit.

MATERIALS AND METHODS

The current research is applied and from the methodological point of view, the correlation is causal type (post-event). The statistical population under investigation in this research is all the companies admitted to the Tehran Stock Exchange and the period under investigation is from 2010 to 2022. In this research, the systematic elimination method was used to reach the sample, and 135 companies were selected as the research sample. Data analysis has been done by using the GMM method with a panel data approach and by using Eveyuz 12 software in hypothesis testing.

RESULTS AND DISCUSSION

The estimation results of the model show that the speed of adjustment of the trade credit payable in companies is about 60%, which indicates that companies try to cover about 60% of the deviation from the optimal trade credit on average every year. This indicates that companies tend to work on credit. Also, the ability to compare accounting information can improve the speed of trade credit adjustment. In fact, by increasing the quality level of information and their comparability, the speed of obtaining optimal commercial credit will increase.

CONCLUSION

Deciding on the use of commercial credit is one of the most important tasks of managers of organizations and companies. Trade credit is defined as a mutual agreement between the supplier and the requester in the previous literature. When the purchase or sale takes place and the buyer or the seller has a delay in payment or receipt, in simple language, commercial credit is used. When the financial reports have higher comparability, it will help the company's reputation in providing inputs and trade credits, and with a faster speed, the company will be able to fill the gap between the real trade credit and the optimal trade credit and reach the goal.

Keywords: Adjustment Speed, Comparability of Accounting Information, Quality of Providing Financial Information, Optimal Commercial Credit.

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