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LIQUIDITY AND PERFORMANCE OF LISTED MANUFACTURING FIRMS IN NIGERIA

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MGS1408899

A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND FINANCE, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN UNIBEN, BENIN CITY

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE DEGREE (B. Sc)

IN BANKING AND FINANCE

DECEMBER, 2019

DECLARATION

I hereby declare that:

1) The study was undertaken by me in the Department of Banking and finance, Faculty of Management Sciences, under the Supervision of Dr. Mrs. G. A Nwokoye of the Department of Banking and finance, Faculty of Management Sciences, University of Benin Uniben, Benin City, Nigeria.

2) To the best of my knowledge, the study is original and has not been submitted anywhere else for the award of my degree.

3) All ideas, opinions, views are products of my personal research and where the views and contributions of other works and authorities were used, they have been duly acknowledged.

4) I shall be totally and fully responsible for any liability that may flow from the study, if any.

_____ Date: _____

Omokaro Blessing Osayuwamen

CERTIFICATION

We certify that this project was carried out by **Omokaro Blessing Osayuwamen** with Matriculation number **MGS1408899** of the Department of Banking and finance, Faculty of Management Sciences, University of Benin, Uniben Benin City in partial fulfillment of the requirement for the award of Bachelor of Science (B.Sc.) Degree in banking and finance.

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Acting Head of Department

DEDICATION

This project is dedicated to God the Father, the Son, and the Holy Spirit for preserving my life throughout my schooling days in University of Benin (Uniben) Benin City, Edo state.

It is dedicated to my late brothers Franklin Omokaro who gave me money to buy Uniben Form and late Ikponmwosa Omokaro for his support.

It is also dedicated to My mother Mrs. Caroline Omokaro, my Sponsored Mr. Collin & Mrs. Valentine Memeh for their financial supports and all my brothers for their constant encouragement and prayers.

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First and foremost I wish to appreciate the support of the Almighty God who granted me the grace and rare privilege of writing this project Its success to His name.

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ABSTRACT

This study carried out a research on liquidity and performance of listed manufacturing firms in Nigeria. The population of the study is one hundred & five (105) Manufacturing sampling firms. Four research questions and four hypotheses were stated. Data collection was from Nigeria Stock Exchange through the MachameStat.

The data was analyzed in line with the research questions and hypothesis. Descriptive Statistics was conducted; the Pearson correlation coefficient was employed and the panel least squares methods in testing the hypotheses of this study. It was revealed that in ***research question 0****, which implies that we should reject the null hypothesis* H_0 *which state that There Is No Significant Impact of profit after tax margin (PATM) on the Performance Of listed Manufacturing firm In Nigeria.* ***The research question 1****, this result suggests that we accept the hypothesis* Ho_1 *which states that there is no significant effect of debtor management (DEBT_CA) on the performance/profitability of listed manufacturing firm in Nigeria****.***

***Research question 2**, this result suggest we accept the hypothesis two Ho_2 which state There is No significant effect of Inventory management (INVET_CA) on the performance/profitability of listed manufacturing firm.*

***Research question 3**. This result suggests that we reject the Hypothesis Ho_3 which states there is no significant effect of cash management (CASH_CA) on the performance of listed manufacturing firm in Nigeria. **The research question 4**, This result suggest that we reject the hypothesis Ho_4 which states There is no significant effect of Working capital (CURR_RATIO) on the performance of listed manufacturing firm in Nigeria.*

It is recommended that the management of manufacturing firms should focus more on profit after tax margin in order to prove their performance. That cash management should be objectively focused on in order to increase the performance of manufacturing firm in Nigeria. That working capital should be improved on in order to keep increasing the performance of manufacturing firms. That since there is no significant impact of debt management and inventory management; it should be totally over look in.

CHAPTER ONE

1.0 INTRODUCTION

Liquidity is one of the most vital areas in determining whether a firm will be successful or performing well. The liquidity of a firm represents its ability to carry out all its obligations without affecting his business operations. Liquidity is a word used to describe the ease with which an asset can be turned into cash. Liquidity is a measure of the ability of a firm to pay its debts when they are due and this is use to determine whether the firm is performing well or not.

The management of liquidity is one of the most vital areas in determining whether a firm will be successful. The liquidity of a firm represents its ability to carry out all its obligations without affecting the business operations.

A business can run smoothly only in the presence of adequate working capital. In this situation, the short term liability can be paid within a short period. Thus it helps to strengthen the solvency position of a business.

The management of liquidity is also an important component of corporate finance as it directly affects the liquidity and profitability of the company. Indeed, interaction between working capital management practices and firm performance should be a major area of research focus.

According to Iswatia & Anshoria (2007) Performance is the ability of an firm to Gain and manage the available resources in several different ways to develop competitive advantage among others thing.

To determine the performance of any firm, one have to look at the profitability level of the firm, therefore performance of a firm is simply talking about the profitability of the firm, when the firm is performing well, we can say the firm is making profit while when the firm is not performing well, we can say the firm is unprofitable.

Therefore, Liquidity and profitability are two very important and vital aspects of corporate business life. No firm can survive without liquidity. A firm not having liquidity may soon meet its downfall and ultimately die. Liquidity management has thus, become a basic and broad aspect of judging the performance of a corporate entity (Bardia, 2007).

It is thus, essential to maintain adequate degree of liquidity of smooth running of the firm operations. The liquidity should be neither excessive nor inadequate. Excessive liquidity indicates

accumulated idle funds, which do not earn any profit for the firm, and inadequate liquidity not only adversely affect the credit worthiness of the firm, but also interrupts the production process and hampers its earning capacity to a great extent.

Thus, the need for efficient liquidity management in corporate businesses has always been significant for smooth running of the business (Vijayakumar, 2011).

Current assets are associated with liquidity because they can easily be converted into cash. Current assets are very crucial for the survival of any business because they provide funds for settlement of the firms current obligations.

Therefore well-organized liquidity is an essential part of a complete corporate performance approach to generate shareholders value and their wealth maximization. The rising cost of capital and scarce funds call for efficient utilization of resources, especially liquid funds which may affect firm performance.

Many researchers believe that the way and manner a firm manages its working capital helps to determine its Performance.

The inefficient management of working capital is harmful to a company. It does not only reduce performance and disrupts normal operations of the manufacturing business; it can ultimately lead

to varying degrees of firm financial crises, inadequate liquidity, business failure and bankruptcy if unchecked (Russel, 2015); (Mansueto, 2009) (Busutti, 2014)

The study focuses on listed Manufacturing firms in Nigeria. The manufacturing industry in Africa including Nigeria has a considerable economic potential for growth and positively impact on gross domestic product and employment.

1.1 STATEMENT OF THE PROBLEM

As argued by (Eljelly, 2004), managing liquidity is important when firms are in a good situation, but is most important during troubled times of firms' performance. When a firm is unable to pay its obligations, it is illiquid.

The study examines the liquidity and performance of listed manufacturing firms in Nigeria. The study covers one hundred & five (105) companies listed on the floor of the Nigerian Stock Exchange (NSE).

Due to the poor performance of some listed manufacturing firm in Nigeria which have led to many loss of jobs, This project research tend to bridge the gap in knowledge by carrying out a recent research on liquidity and performance of listed manufacturing firm in Nigeria one hundred & five (105) company as observation point respectively.

Finding out the impact of profit after tax on the performance of listed manufacturing firms, the Impact of debt management, inventory management, cash management and working capital

position in the performance of listed manufacturing firm in Nigeria using data's from 2010– 2018 respectively.

1.2 OBJECTIVES OF THE STUDY

The major aim of the study includes:

1. To determine the Impact of profit after tax margin (PATM) on the performance of listed manufacturing firm in Nigeria

2. To examine the effect of debtor management (DEBT_CA) on the performance of listed manufacturing firms in Nigeria.

3. To determine the effect of Inventory management (INVET_CA) on the performance of listed manufacturing firms.

4. To ascertain the effect of cash management (CASH_CA) on the performance of listed manufacturing firms in Nigeria.

5. To ascertain the effect of Working capital (CURR_RATIO) on the performance of listed manufacturing firms in Nigeria.

1.3 RESEARCH QUESTION

1. What is the Impact of profit after tax margin (PATM) on the performance of listed manufacturing firms in Nigeria?

2. What is the effect of debtor management (DEBT_CA) on the performance of listed manufacturing firms in Nigeria?

3. What is the effect of Inventory management (INVET_CA) on the performance of listed manufacturing firms?

4. What is the effect of cash management (CASH_CA) on the performance of listed manufacturing firms in Nigeria?

5. What is the effect of Working capital (CURR_RATIO) on the performance of listed manufacturing firms in Nigeria?

1.4 SIGNIFICANT OF THE STUDY

The problems to be addressed by this study are to evaluate liquidity in the performance of one hundred & five (105) listed manufacturing firms in Nigeria and probably to determine the various dependent variable (profit after tax margin) and independent variables (debtor management, inventory management, cash management, and working capital) in the performance requirement on the study.

1.5 SCOPE OF THE STUDY

The scope of this study is determined on the basis of what could be achieved with the available limited time and resources. The study is restricted to one hundred & five (105) listed manufacturing firms in Nigeria as my case study For the purpose of this research.

1.6 LIMITATION OF THE STUDY

Like any other research, our study is also associated with some limitations. These limitations include the following:

1. The study is only limited to one hundred & five (105) listed manufacturing firms in Nigeria. As such, our findings and recommendations are only applicable to them.

2. Other includes

FINANCE CONSTRAINT- Insufficient fund can impede the efficiency of the researcher in sourcing for relevant materials for the project.

TIME CONSTRAINT- The researcher will simultaneously engage in this study along with other academic work. This consequently will cut down on the time devoted for the research work.

1.7 RESEARCH HYPOTHESIS

HYPOTHESIS 0

H_o There Is Significant Impact of profit after tax margin on the Performance Of listed Manufacturing firms In Nigeria

HYPOTHESIS 1

Ho_1 There is no significant effect of debtor management (DEBT_CA) on the performance of listed manufacturing firms in Nigeria

HYPOTHESIS 2.

Ho_2 There is No significant effect of Inventory management (INVET_CA) on the performance of listed manufacturing firms.

HYPOTHESIS 3

Ho_3 There is no significant effect of cash management (CASH_CA) on the performance of listed manufacturing firms in Nigeria.

HYPOTHESIS 4

Ho_4 There is no significant effect of Working capital (CURR_RATIO) on the performance of listed manufacturing firms in Nigeria.

1.8 DEFINITION OF TERMS

LIQUIDITY MANAGEMENT

Liquidity management is a concept broadly describing a company's ability to meet financial obligations through cash flow, funding activities, and capital management. Liquidity management

can be challenging as it is impacted by revenue and cost generating activities, capital and dividend plans, and tax strategies.

LM is used as a general term, which includes cash management and cash flow forecast, all the activities aiming to ensure the availability of sufficient liquidity.

PROFITABILITY

Profitability is the ability to make profit from all the business activities of a firm, organization, company, or an enterprise. It measures management efficiency in the use of organizational resources in adding value to the business.

Profitability may be regarded as a relative term measurable in terms of profit and its relation with other elements that can directly influence the profit.

Profitability is the relationship of income to some balance sheet measure which indicates the relative ability to earn income on assets.

Irrespective of the fact that profitability is an important aspect of business, it may be faced with some weakness such window dressing of the financial transactions and the use of different accounting principles.

PROFIT AFTER-TAX MARGIN

Profit After-tax margin is a financial performance ratio calculated by dividing net income by net sales. A company's after-tax profit margin is significant because it shows how well a company controls its costs. A high after-tax profit margin generally indicates that a company runs efficiently, providing more value, in the form of profits, to shareholders.

Profit after-tax is also the earnings of a business after all income taxes have been deducted. This amount is the final, residual amount of profit generated by an organization. The profit after-tax figure is considered the best measure of the ability of an entity to generate a return, since it incorporates both operating income and income from other sources, such as interest income.

The profit after-tax margin is closely watched by investors to see if the income-generating ability of a firm is changing over time. If so, this could be considered a valuation indicator that may result in a change in the stock price.

If a company is publicly-held, it also reports profit after-tax on a per share basis. This information appears on the face of the income statement.

DEBT MANAGEMENT

Debtors arise in the current assets of a firm due to credit sales. Credit sales are inevitable in a business to meet the growing competition and to attract the customers. Accounts Receivables is an alternative term for sundry debtors and is defined as "debts owed to the firm by customers arising from sale of goods or services in the ordinary course of business". As a marketing tool, they are intended to promote sales and thereby profits. However, extension of credit involves risk and cost. Management should weigh the benefits and costs to determine the goal of debtors' management. So, the objective of debtors management is to promote sales and profits until that point is reached where the return on investment in further funding receivables is less than the cost of funds raised to finance the additional credit.

INVENTORY MANAGEMENT

Inventory management refers to the process of ordering, storing, and using a company's inventory. These include the management of raw materials, components, and finished products, as well as warehousing and processing such items.

Inventory management is a systematic approach to obtaining, storing, and profiting from non-capital assets (raw materials and finished goods). The right stock, at the right levels, in the right place, at the right time, and at the right cost. Inventory management is the supervision of non-capitalized assets (inventory) and stock items.

Also inventory management is A component of supply chain management, inventory management supervises the flow of goods from manufacturers to warehouses and from these facilities to point of sale. A key function of inventory management is to keep a detailed record of each new or returned product as it enters or leaves a warehouse or point of sale.

CASH MANAGEMENT

Cash management is the process of collecting and managing cash flows. Cash management can be important for both individuals and companies. In business, it is a key component of a company's financial stability. For individuals, cash is also essential for financial stability while also usually considered as part of a total wealth portfolio.

Individuals and businesses have a wide range of offerings available across the financial marketplace to help with all types of cash management needs. Banks are typically a primary financial service provider for the custody of cash assets. There are also many different cash management solutions for individuals and businesses seeking to obtain the best return on cash assets or the most efficient use of cash comprehensively.

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments.

Cash management is the efficient collection, disbursement, and investment of cash in an organization while maintaining the company’s liquidity. In other words, it is the way in which a particular organization manages its financial operations such as investing cash in different short-term projects, collection of revenues, payment of expenses, and liabilities while ensuring it has sufficient cash available for future use.

WORKING CAPITAL

Working capital is the amount by which the value of a company's current assets exceeds its current liabilities. Also called net working capital. Sometimes the term "working capital" is used as

synonym for "current assets" but more frequently as "net working capital", i.e. the amount of current assets that is in excess of current liabilities. Working capital is frequently used to measure a firm's ability to meet current obligations. It measures how much in liquid assets a company has available to build its business.

CURRENT RATIO

Current ratio is balance-sheet financial performance measure of company liquidity. Current ratio indicates a company's ability to meet short-term debt obligations. The current ratio measures whether or not a firm has enough resources to pay its debts over the next 12 months.

It is a liquidity ratio that measures the firm’s ability to meet its long and short term obligations. To gauge this ability, the current ratio considers the current total assets of a firm (both liquid and illiquid) relative to its current total liabilities.

It is called current because unlike some liquidity ratios, it incorporates all current assets and liabilities. The current ratio is mainly used to give an idea of a firm’s ability to pay back its liabilities (debts and account payable) with its assets (cash, marketable securities, inventory, accounts receivable). As such, current ratio can be used to make a rough measurement of a firm’s

financial health. The higher the current ratio, the more capable a firm is of meeting its obligations as and when they fall due, as it has a larger proportion of assets value relative to its liabilities' value.

A ratio under 1 indicates that a firm's liabilities are greater than its current assets and suggests that a firm would be unable to pay off its obligations if they came due. While a current ratio below 1 indicates that a firm is not in good financial health, it does not necessarily mean that it will go bankrupt. On the other hand, a high ratio (over 3) does not necessarily mean that a company is in a state of financial well-being. Depending on how a firm's assets are allocated, a high current ratio may suggest that a firm is not using its current assets efficiently or is not managing its current assets well. The current ratio gives a sense of efficiency of a firm's operating cycle or its ability to turn its product into cash. Firms that have trouble getting paid on their receivable or have long inventory turnover run into liquidity problems because they are unable to alleviate their obligations.

STOCK EXCHANGE

Organized and regulated financial market where securities (bonds, shares) are bought and sold at prices governed by the forces of demand and supply.

Stock exchanges basically serve as

(1) Primary markets where corporations, governments, individuals, and other incorporated bodies can raise capital by channeling savings of the investors into productive ventures; and

(2) Secondary markets where investors can sell their securities to other investors for cash, thus reducing the risk of investment and maintaining liquidity in the system. Stock exchanges impose stringent rules, listing requirements, and statutory requirements that are binding on all listed and trading parties.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter will be dealing on liquidity management & firm performance/ profitability of listed manufacturing firms in Nigeria and the various dependable variables and independable variable respectively.

The dependable variable is profit after tax margin (PATM) And Independent Variables are Debt Management (DEBT_CA), Inventory Management (INVET-CA), Cash Management (CASH_ CA) and Working Capital Position (CURR_RATO). This is undertaken in order to provide a theoretical background to the study and to be acquainted with the subject matter of the study.

2.2 LIQUIDITY MANAGEMENT

Liquidity management is a concept that is receiving serious attention all over the world especially with the current financial situations and the state of the world economy. The concern of business owners and managers all over the world is to devise a strategy of managing their day to day

operations in order to meet their obligations as they fall due and increase profitability and shareholder's wealth.

Liquidity management, in most cases, are considered from the perspective of working capital management as most of the indices used for measuring corporate liquidity are a function of the components of working capital. The importance of liquidity management as it affects profitability in today's business cannot be over emphasis. The crucial part of managing working capital is required maintaining its liquidity in day to-day operation to ensure its smooth running and meets its obligation (Eljelly, 2004).

Liquidity plays a significant role in the successful functioning of a business firm. A firm should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term compulsions. A study of liquidity is of major importance to both the internal and the external analysts because of its close relationship with day-to-day operations of a business (Bhunia, 2010) Dilemma in liquidity management is to achieve desired tradeoff between liquidity and profitability.

(Raheman, 2007)Liquidity requirement of a firm depends on the peculiar nature of the firm and there is no specific rule on determining the optimal level of liquidity that a firm can maintain in order to ensure positive impact on its profitability. For the purpose of this study liquidity

management is viewed from the aspect of firm performance, which involves debt management, inventory management, cash management, and working capital.

2.2.1 THEORIES OF LIQUIDITY

TRADE OFF THEORY LIQUIDITY

Under perfect capital market assumptions holding cash neither creates nor destroys value. The firm can always raise funds from capital markets when funds are needed, there are no transaction costs in raising these funds, and the funds can always be raised at a fair price because the capital markets are assumed to be fully informed about the prospects of the firm.

The trade-off theory suggests that firms target an optimal level of liquidity to balance the benefit and cost of holding cash.

The Benefit Of Holding Cash Are In Two Fold:

1. The firms save transaction costs to raise funds and does not need to liquidate assets to make payments.
2. The firm can use liquid assets to finance its activities and investment if other source of funding are not available or are extremely expensive.

(Jensen, 1986) presents agency problem associated with free-cash flow. He suggests that –free cash flow problem can be somehow controlled by increasing the stake of managers in the business or by increasing debt in the capital structure, thereby reducing the amount of "free" cash available to managers. As theory, the use of trade off model cannot be ignored, as it explains that, firms with high leverage attracts high cost of servicing the debt thereby affecting its profitability and it becomes difficult for them to raise funds through other sources.

Holding cash on that point is not only maintained by the smaller firm but also larger firms. So firm size does not matter when the question of bankruptcy interrupt the capital structure decision Pecking Order Theory Liquidity The theory emerges as a result of asymmetric information existing in the financial markets, that is, corporate managers often have better information about the health of their companies than outside investors.

PECKING ORDER THEORY

(Majluf M. S., 1984) introduced very influential pecking order theory saying; manager prefers to finance deficit of capital by issuing SAFE security. The theory states that, in the event where retained earnings and other internal source of financing will be low to invest then manager will issue debt and only issue new equity with possibility of issuing junk debt (Financial distress possibility).

An important survey of Myers (2003) documented the following findings on the pecking order theory of corporate financing:

1. Firms prefer to use internal source of fund as their first choice.
2. Dividend payout ratio has separate determinants. A change in dividend payout ratio does not facilitate capital expenditure.
3. In the question of external financing, debt issuance is more preferable by the firm than issuance of equity.
4. The firm's debt ratio shows their requirement of external financing.

A determinant of cash holding from the perspective of pecking order theory has been supported by other researchers more than trade off theory.

Sebastian (2010) Examine Dutch firm's liquidity and solvency and their effect on financial decision. He discovers that, corporate liquidity and solvency interact through information, hedging, and leverage channels. The information and hedging channels increase equity value of firms which helps to pay regular dividend and most importantly reduce volatility in cash flow.

Frank & Goyel (2002) came up with evidence that bigger firms are more organized to take decision followed by this theory. Smaller firms were not following this theory and being traded publicly during that time which also supports trade-off theory.

As the smaller firms moved away from pecking order theory so, overall average moves further from the pecking order.

Soku (2008) tested found different security issues pattern by small, medium and large industry. While testing financial flexibility and capital structure of the firms the author observed that, large mature firms prefer using internal funds and safe debt in order to recharge financial flexibility rather than issuing equity. In case of small firms though they have low leverage, in order to cope with lack of cash at hand, they prefer to issue equity and increase cash holdings.

However he ends up with Financial flexibility hypothesis which refers firms hold cash and expect future cash flow, and that characterize their future investment plan and current ability to sort out financial constraints.

Salehi & Bigler (2009) studied performance of Firms at Iran and find it relationship with capital structure.

2.2.2 FACTORS THAT AFFECT LIQUIDITY REQUIREMENT OF A COMPANY

The company must maintenance adequate amount of liquidity to meet it daily obligations but liquidity in excess of what is adequately required by the firms to finance it operations may be counter-productive. The liquidity requirement of firms differs depending on the circumstances of the company. Pandy (2005) outline the following as some of the factors that influence the liquidity requirement of a company.

A. Nature and Size Of Business

B. Manufacturing Cycle

C. Business Fluctuations

D. Production Policy/ Just-In-Time.

E. Credit Terms

F. Growth And Expansion Activities

2.3 PROFITABILITY

Profitability is the ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It measures management efficiency in the use of organizational resources in adding value to the business.

Profitability may be regarded as a relative term measurable in terms of profit and its relation with other elements that can directly influence the profit. Profitability is the relationship of income to some balance sheet measure which indicates the relative ability to earn income on assets. Irrespective of the fact that profitability is an important aspect of business, it may be faced with

some weakness such window dressing of the financial transactions and the use of different accounting principles.

(Njure, 2012) Profitability is the ability to make profit from all the business activities of an enterprise It shows how efficiently the management can make profit by using all the resources available in the market. One of the most frequently used tools of measuring profitability is profitability ratios.

Profitability ratios show a company's overall efficiency and effectiveness. Profitability is related to the goal of shareholders of wealth maximization, and investment in current assets is made only if an acceptable return is obtained (Njure, 2012). While liquidity is needed for a company to continue business, a company may choose to hold more cash than needed for operational or transactional needs or for precautionary or speculative reasons. Managers of nonfinancial companies must ensure maximum return from the investments of their principal and therefore must ensure they invest resources in high yielding ventures other than holding excess investments in current assets

2.3.1 THEORIES OF PROFITABILITY

Theories are analytical tools for understanding, explaining, and making predictions about a given subject matter. There are various theories with regard to Liquidity management and profitability:

A. CLARK THEORY OF PROFITABILITY

Clark begins his theory with an analysis of a profit-less economy and taking into account its key futures. The profit less economy is compared with a profit-generating economies and significant differences were identified to indicate the causes of profit. This method was adopted by Schumpeter and Knight. The profit-less economy is refer to as 'static state', in which all factors are constant and not subject to change, the market is assumed to be perfect; hence the absence of monopoly and entrepreneurial efforts are rewarded according to management wage levels. There is perfect mobility and flow of all economic units in a frictionless environment; in short all impediments to perfect competition are dissolved.

"The society acts and lives, but does so in a changeless manner" (Siddiqi, 1971). Any change in these factors will produce a tremor in the system but the economy will adjust and settle at new equilibriums. So changes in population and capital will result in corresponding fluctuations in

wages and interest rates, the economy will absorb these changes and then settle back to a static state. Similarly, changes in techniques of production will affect output and prices; adoption of the same techniques by other producers will cause a shift in the equilibrium, but once these become ubiquitous the equilibrium will resume.

The ability of the economy to endure such changes is due to the competitive equilibrium dynamics of the free market. Competition, remarks Knight, has the "tendency to eliminate profit or loss and bring the value of economic goods to equality with their cost" (Knight, 1921).

Real economies as noted by Clark will, however, not buffer such changes instantaneously as there will necessarily be a time lag. It is into this frictional delay that the entrepreneur seeks to enter and make his profit before equilibrium returns and consumes his profit. Profit is hence a transitional phenomenon: "untransformed increments of wages and interest" (Siddiqi, 1971), its temporary nature demands from the entrepreneur a dynamic endeavor to seek out or generate opportunities on which he can capitalize. This process is summed up in Clark's statement that "dynamic forces, then, account today for the existence of an income that static forces will begin to dispose of tomorrow" . (Siddiqi, 1971). Economies are, however, in constant change, the five variables mentioned by

Clark are never static; population and capital are in constant growth, innovation in production and management of resources are continually researched and consumer demands are subject to ever-changing fashions and trends.

The entrepreneur thus finds permanence for as long as he can keep ahead of the changes, react before competitors and organize his efforts with sound knowledge of the market. Clark's analysis determines that the essential cause of profit is change. These changes yield a surplus in the market prior to equilibrium and they are the sought-after profits of the entrepreneur.

B. SCHUMPETER THEORY OF PROFITABILITY

Following on the method of Clark, Schumpeter developed the 'circular flow model' in which a profit-less economy is described where perfect competition extinguishes surpluses of monopoly and friction. The analyses of the 'circular flow' economy differ in detail from the 'static state' model of Clark. So departures between an ideally competitive environment and actual economies yield the causes of profit. Schumpeter, however, is far more selective in his approach than Clark. Schumpeter identifies the single notion of innovation as paramount, so that changes based upon innovation are the cause of profit. Gradual changes in population and capital would easily be

anticipated by the market and hence present no opportunity for the entrepreneur. Schumpeter goes on to describe five areas in which innovation will lead to profit generation (Siddiqi, 1971):

(i) Innovations in commodities, either by introducing new products or improving old ones;

(ii) Innovations in production techniques;

(iii) Finding new and fertile markets;

(iv) Locating new resources and raw materials;

(v) Changes in industrial organization.

The entrepreneur is for Schumpeter an innovator, who by virtue of his innovation is able to break from the competition, acquire a transitory monopoly in which he can accrue profits until his competitors catch up, but, before they do so, he is able to move on to further innovation in new fields. Schumpeter did not see the entrepreneur's reward as a surplus value but rather as a functional reward linked to his innovative ability (Siddiqi, 1971).

The impact of innovation was huge, leading to gales of creative destruction as innovations caused old inventories, ideas, technologies, skills, and equipment to become obsolete. Schumpeter saw the model of perfect competition in which different companies sold similar goods at similar prices produced through similar techniques as immaterial to progress.

2.4 DEPENDENT VARIABLE

2.4.1 PROFIT AFTER TAX MARGIN

The net amount earned by a business after all taxation related expenses have been deducted. The profit after tax is often a better assessment of what a business is really earning and hence can use in its operations than its total revenues.

Profit after-tax is the earnings of a business after all income taxes have been deducted. This amount is the final, residual amount of profit generated by an organization. The profit after-tax figure is considered the best measure of the ability of an entity to generate a return, since it incorporates both operating income and income from other sources, such as interest income.

The profit after-tax margin is closely watched by investors to see if the income-generating ability of a firm is changing over time. If so, this could be considered a valuation indicator that may result in a change in the stock price.

If a company is publicly-held, it also reports profit after-tax on a per share basis. This information appears on the face of the income statement.

2.5 INDEPENDENT VARIABLES

2.5.1 CASH MANAGEMENT

Cash is the ultimate output to be realized by selling of goods and services. It is the money that a firm can readily disburse without any restriction (Pandey, 2005). The functions of cash management include managing cash received and paid out by the company, managing of cash circulating within the company, managing cash balances held by the firm and investing of surplus cash and finding ways to finance cash deficits (Shin & Soenen, 1998).

Tully (1994) defines cash management as a set of techniques that act on the short-term liquidity of a company, and at the same time affect those factors and processes that translate immediately into cash, with the ultimate aim of increasing both the liquidity and profitability of the company. In this sense cash management is the back bone of liquidity management as it affects corporate

profitability. Cash in excess of what is required need to be invested in short term securities pending when it is required. The major problem faced by most businesses is the ability to determine the minimum cash level required by the business.

Cash management, which is part of treasury management is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds (Uyar, 2009).

Minimum cash level assist management to maintain enough cash to meet its day-to-day operating expenses.

Van Horne (2000) posits that cash management is important for many reasons; cash flows cannot be predicted accurately. Also, cash inflows and outflows do not coincide perfectly in time and amounts.

Kurawa (2009) argues that both cash collection and disbursement impact on the overall efficiency of cash management. To achieve efficient cash management, accounts receivable would have to be collected as soon as possible, but pay accounts payable as late as it is consistent with the firm's credit standing with suppliers.

Sayaduzzaman (2006) argues that the ultimate goal of the financial manager in the management of cash is similar to the management of other current assets. That is, the objective is to attain an optimal balance and turnover of cash. maximizes the market value of the firm. Attaining the optimal balance of cash means that effective and efficient management of cash should impact on both the firm's liquidity and profitability (Eljelly, 2004).

2.5.2 DEBT MANAGEMENT

Wallitsch (2007) argues that debt management is any approach that is adopted to guide an individual or business organisation to manage its debt. This definition includes debt settlement, bankruptcy, debt consolidation, personal loans as well as other techniques that assist businesses to service outstanding debts.

Debtors arise in the current assets of a firm due to credit sales. Credit sales are inevitable in a business to meet the growing competition and to attract the customers. Accounts Receivables is an alternative term for sundry debtors and is defined as "debts owed to the firm by customers arising from sale of goods or services in the ordinary course of business". As a marketing tool, they are intended to promote sales and thereby profits.

However, extension of credit involves risk and cost. Management should weigh the benefits and costs to determine the goal of debtors' management. So, the objective of debtors management is to promote sales and profits until that point is reached where the return on investment in further funding receivables is less than the cost of funds raised to finance the additional credit.

Root (2009) contends that, debt management is an act of trying to get one's debt under control and become responsible for repaying associated obligations. It can therefore be inferred that debt management is a conscious measure taken by a debtor or agents hired on their behalf to reduce the debt burden or strategize to eliminate the debt through acceptable payment terms.

Cecchetti et al. (2011) observe that a reasonable debt level improves welfare and enhances growth but high level debts can lead to a decline in growth of a firm. Reinhart et al. (2009) reinforces this assertion by arguing that debt impacts positively to the growth of a firm only when it is within certain levels. He opines that a firm becomes vulnerable to financial crisis when the ratio goes beyond certain levels.

Stern Stewart and Company shares a similar view that high level of debt increases the probability of a firm facing financial distress. Therefore Cecchetti et al. (2011) contends that over borrowing

by a firm can cause bankruptcy and financial ruin. Accumulating high levels of debt by a small scale enterprise will constrain its ability to undertake project that are likely to be profitable. This is because it would not be able to attract new debt from financial institutions.

2.5.3 INVENTORY MANAGEMENT

Inventory is the stock that a firm maintains to meet its future requirement for production and selling. The basic reason for holding inventory is to keep up the production activities unhampered. Inventories are a part of current manufacturing organization maintains the inventory of raw materials, work-in-progress, finished goods, spare parts, suppliers etc.

In case inventory management system of manufacturing concern, inventories link the production and sales. Trading organization is unsold goods i.e. finished goods. Investment on inventory depends on certain risk and costs. Therefore, the inventory manager should try to maintain optimal size of inventory without disturbing the production and sales needs.

Nyabwanga and Ojera (2012) inventory comprised the maximum portion of working capital, and improper management of working capital can affect any manufacturing. It is also noted that firms

inventory systems must maintain an appropriate inventory levels to enhance profitability and reduce the inventory costs associated with holding excessive stock in warehouses.

Taygi (2014) Inventory management is considered as major concerns of every organization. In inventory holding, many steps are taken by managers that result a cost involved in this row. This cost may not be constant in nature during time horizon in which perishable stock is held.

OBJECTIVES OF INVENTORY MANAGEMENT

The following of inventory management are mentioned below:

1. To regular supply of material: there should be a continuous availability of materials in the factory of finished goods for trade. The main objective of inventory management is to maintain required so that production and sales process run smoothly.

2. To minimization of over stocking: if a company keeps inventory without proper analysis, there will be a chance of overstocking, which will increase the cost of carting the inventories or under stocking of inventories that create problem in smooth operation of a business. So one of the main objectives of the inventory management is to minimize the risk caused due to under and over stocking of inventory.

3. To reduce material losses: inventory management aims to reduce or remove the losses and misappropriation of materials. This is done by maintaining the proper stock of materials with utmost care.

2.5.4 WORKING CAPITAL POSITION

Working capital is considered to be a very important element to analyze the organizations' performance while conducting day to day operations, by which balance can be maintained between liquidity and profitability.

Working capital, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable. Net operating working capital is a measure of a company's liquidity and refers to the difference between operating current assets and operating current liabilities. In many cases these calculations are the

same and are derived from company cash plus accounts receivable plus inventories, less accounts payable and less accrued expenses.

(Brealey et al., 2011, p. 856). The term “working capital” is often used as a generally accepted subject and collective term for short-term balance sheet items, which are attributable to current assets on the assets side and short-term liabilities on the liabilities side of the balance sheet. “Current assets include all those assets which are not classified as non-current assets and which are therefore expected to be recognized within one year (or in the course of the normal business cycle) back into liquid funds”. The main balance sheet items therefore include inventories, trade receivables, other receivables, down payments and cash and cash equivalents. The items are generally classified in the order of liquidity in the preparation of the balance sheet. Similar to the short-term investments on the assets side of the balance sheet, various short-term financing alternatives are available to companies. Short-term liabilities are defined as items that are settled within one year or during a business cycle.

These mainly include short-term financial liabilities, short-term provisions and other short-term liabilities. In contrast to fixed capital or long-term assets, working capital is changed at a relatively

fast rate. Within the scope of the normal business cycle, for example, the capital invested in inventories and receivables is again available to the company after the sale of inventories and the collection of receivables.

In contrast, long-term assets usually require several years to amortize the initial investment (Moyer et al., 2009). Working capital is a measure of a company's liquidity, operational efficiency and its short-term financial health. If a company has substantial positive working capital, then it should have the potential to invest and grow. If a company's current assets do not exceed its current liabilities, then it may have trouble growing or paying back creditors, or even go bankrupt.

Working capital is the amount by which the value of a company's current assets exceeds its current liabilities.

Also called net working capital. Sometimes the term "working capital" is used as synonym for "current assets" but more frequently as "net working capital", i.e. the amount of current assets that is in excess of current liabilities. Working capital is frequently used to measure a firm's ability to meet current obligations. It measures how much in liquid assets a company has available to build its business.

2.5.4.1 WHY IS WORKING CAPITAL IMPORTANT

NWC is important because it represents your short-term business assets available to pay your short-term obligations and also invest in income-producing activities. It can serve as a good indicator regarding how efficiently a business is operating and how financially solvent it is in the short-term. For example, a positive net working capital means that a company has the short-term liquidity to pay its current obligations as well as invest in its future growth. A net zero working capital means a company can only meet its current financial obligations and a negative net working capital means that a company will typically need to borrow or raise money to remain solvent.

CHAPTER THREE
METHODOLOGY

2.0 INTRODUCTION

Each research investigates a given and specific problem. Research method is a plan for a research project. It provides guidelines, which direct the researcher towards solving the research problem under study. This research work therefore, will make attempt in identifying the sample size, sampling method and method of data collection. We conducted the descriptive statistics, followed

by the correlation analysis, thereafter, the Panel least squares method was used to estimate the specified model.

3.1 RESEARCH DESIGN

The study adopted correlation research design. The research design is considered most appropriate because it describes the statistical relationship between two or more variables, and also estimates the impact of independent variables on the dependent variables.

3.2 POPULATION AND SAMPLE OF THE STUDY

The population of the study consists of the 105 sampling companies listed on the floor of Nigerian Stock Exchange which represents the population and sample of the study. The sample size was arrived at after filtering companies without complete financial data over the period of 2010 to 2018.

3.3 DATA SOURCES AND METHOD OF DATA COLLECTION

The study used secondary data from secondary source; the data for this study were sourced from Nigeria Stock Exchange through the MachameStat®. That is the financial statements of all the 105

sampled firms for the period of 7 years (2010-2018). The various data were sourced based on the parameters of the variables, and the respective ratios or percentages taken.

3.4 MODEL SPECIFICATION

The model assumes that the dependent variable is a linear function of the independent variables with consideration to the heterogeneity in the pooled companies. The panel multivariate regression model with an error term ( ) is specified in functional and econometric forms respectively as models shown below.

The functional form of the model for this study is thus:

PATMit = f(DEBT_CA, INVET_CA, CASH_CA, CURR_RATIO)

The econometric form of the model is as stated below:

PATMit = β0 + β1DEBT_CAit + β2INVET_CA it + β3CASH_CAit + β4CURR_RATIOit + +

Where

PATMit represents Profitability as measured as profit after tax margin

DEBT_CA represents debtors management as measured by total debtors divided by current assets

INVET_CA represents inventory management as measured by total inventory divided by current assets

CASH_CA represents cash management as measured by total cash and cash equivalent divided by current assets.

CURR_RATIO represents working capital position as measured by current assets divided by current liabilities.

β = variables that vary across companies but do not vary over time

= variables that vary over time but do not vary across companies at any given time

= error terms over the cross section and time

i and t = cross sectional and the time period effect respectively.

The presumptive signs of the parameters in the specifications are:

$\beta 2 , \beta 3 , \beta 4 > 0, \beta 1 < 0$

3.5 METHOD OF DATA ANALYSIS

Generally, there are legal differences, defined in terms of corporate policies and specificities in the way companies do business. This suggests that the quoted insurance firms in Nigeria are very different from each other. Also, this is coupled with the fact that the degrees of operating practices, nature of business, innovation drive focus and risk profiles of shareholders and management differs. In essence, the pooled data analysis accommodates 'time as well as the heterogeneity' effects of the quoted companies.

In all, cross sectional (pooled/panel) data analysis captures the aforementioned characteristics by including the quoted company's specific effects which may be random or fixed. The random effect model, on the other hand, assumes the independence between the error term and the independent variables. In any case, we used the Hausman test to select between fixed and random panel estimation techniques. However, for ease of comparison, the simple pooled Ordinary Least Square (OLS) as well as the fixed and random effects regression models were adopted in this study.

The use of panel data regression methodology in this study is based on some fundamental justifications:

The data collected are subject to time and cross sectional attributes.

Data Source

The data for this study were sourced from Nigeria Stock Exchange through the MachameStat®. The sample size was arrived at after filtering companies without complete financial data over the period of 2010 to 2018.

CHAPTER FOUR

EMPIRICAL RESULTS

4.1 INTRODUCTION

This study examines liquidity management and firm performance in Nigeria. To achieve this objective, we considered quoted firms with relevant data from that that have consistently published

their audited annual financial reports up to 31st December, 2018. We employed a sample of two hundred and twenty (105) observations, to ensure adequate observation for statistical testing; we adopted an unbalanced panel data analysis in the cross sectional regions in Nigeria based on availability of data. From the statistics of the spread of the sampled firms is as indicate in the data.

We conducted the descriptive statistics, followed by the correlation analysis, thereafter, the Panel least squares method was used to estimate the specified model. The variables in the study include profit after tax margin (PATM) which form the dependent variable, while the independent variables include debtors' management (DEBT_CA), inventory management (INVET_CA), cash management (CASH_CA) and working capital position (CURR_RATIO).

A model was specified, and firstly, the descriptive statistics as well as the correlation analysis were conducted before the estimation of the model. The descriptive statistics of the data on the variables are as presented in Table 4.1 below.

Table 4.1: Descriptive Statistics

Variables	Mean	Min	Max	Jarque-Bera
PATM	0.0419	-1.01	0.54	633.3087(0.0)*

DEBT_CA	0.3014	0	0.74	7.88696(0.01)*
INVET_CA	0.4515	0	0.97	5.51033(0.02)**
CASH_CA	0.1878	0	0.77	19.69158(0.0)*
CURR_RATIO	.1.3867	-0.23	6.02	569.954(0.0)*
All data observation	105			

Source: Author's computation (2019) Note: * and ** implies 1% and 5% level of significance respectively

Table 4.1 presents the mean for each of the variables, their maximum and minimum values and Jarque-Bera (JB) normality test statistics. The descriptive statistics provides an insight into the nature of the selected quoted firms that were used as samples in the study as well as the distribution of the data in the variables used.

Firstly, the little difference between the maximum and minimum values of firm size (FSIZE) shows that the sampled firms are dominated by large firms. We also observe that on the average, over the reference period, all the variables indicate positive values. This implies that there is high

level of efficiency in the use of the tangible assets among the sampled quoted firms irrespective of their size, age and other firm specific characteristics.

Furthermore, the result with respect to the profit after tax (PATM) show that on the average over the period, majority of the sampled firms experienced positive performance. Though, the profitability indicates very low, it implies that all the sampled firms were breaking even over the period under review. The low cash management value indicates that on the average, the sampled firms failed to manage their cash activities very well hence the low profitability level. On the other hand, the average value of debtor's management show 30% implying that that the majority of the sampled firms were engaging in below average in the management of their debtors. This can be seen in the level of profits declared at the end of the periods.

The high average value of the current ratio (CURR_RATIO) shows that majority of the sampled firms operate under high working capital position, but surprisingly, this failed to translate to higher profit which is a pointer to leakages or high cost of expenditures.

In addition, the average value of inventory management also indicate below average, implying that the sampled firms were limited in terms of management of their inventories over the period under

review. For the average value of firm size which shows that the sampled firms are more of larger firms in terms of value of total assets.

Looking at the Jarque-Bera (JB) statistics after adjusting for all missing data and extreme values show that all the variables are normally distributed at 1% level of significance. This justifies the reliability of the data collected in the study to a great extent for drawing generalization.

To determine the association among the variables, we employed the Pearson correlation coefficient technique and the results are presented in Table 4.2 below.

Table 4.2 CORRELATION MATRIX

	PATM	DEBT_CA	INVET_CA	CASH_CA	CURR_RATIO
PATM	1.0000				
DEBT_CA	-0.3661	1.0000			
INVET_CA	0.1464-	-0.5014	1.0000		
CASH_CA	0.4921	-0.3039	-0.4716	1.0000	
CURR_RATIO	0.2990	0.1424	-0.3327	0.2171	1.0000

Source: Author's computation (2019)

Table 4.2 above presents the correlation between the dependent variable profitability (PATM) and the various explanatory variables: debtor management (DEBT_CA), inventory management (INVET_CA), cash management (CASH_CA) and working capital position as measured by current ratio (CURR_RATIO) respectively in the specified model.

The results show that debtors and inventory management indicate negative association with the dependent variable profitability, implying that both do not directly associate with profitability. While cash management (CASH_CA) and working capital position which measures liquidity, both show positive and averagely strong association with profitability respectively. In real life situation, this is what is expected because it is the level of liquidity that when put into efficient use no doubt would generate profit.

For the association among the explanatory and control variable, results indicate that all inventory and cash management show negative association with debtors management, while current ratio associate with debtors' management positively but in a weak manner.

On the other hand, result indicate that cash management and current ratio negatively associate with inventory management, while cash management weakly and positively associate with current ratio which measures liquidity position of the firm.

The correlation test also reveals that no two explanatory variables were perfectly correlated. This implies that there is absence of multi-collinearity problem in our model, this justifies that the variables are good enough for the regression. Multi-collinearity among explanatory variables may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

4.2 REGRESSION RESULTS

In order to examine the relationship between the independent variables and the dependent variable profitability (PATM) and to test our formulated hypotheses, we used panel data regression techniques. The fixed and random effect methods estimation results are as presented and discussed below:

Table 4.3: PATM Unbalanced Panel Regression Results

	Expected Sign	(Fixed Effect)	(Random Effect)

C		0.026 (0.21) [0.82]	0.048 (0.43) [0.66]
DEBT_CA	-	-0.069 (-0.49) [0.61]	-0.212 (-1.71) [0.08]***
INVET_CA	+	-0.057 (-0.39) [0.69]	-0.089 (-0.70) [0.048
CASH_CA	+	0.247 (2.02) [0.00]*	0.258 (1.99) [0.02]**
CURR_RATIO	+	0.045 (1.91) [0.03]**	0.048 (2.37) [0.01]*
R-Squared		0.62	0.14
Adj-R-Squared		0.55	0.11
F-Statistic		8.07987(0.0)*	4.24368(0.0)*
Hausman Test		9.5309(0.04)*	
D/W		1.95	
N(n)			

105(15)

Source: Authors computation (2019). Note: * and ** implies 1% and 5% level of significance respectively

Table 4.3 above presents the two unbalanced panel data estimation results obtained when we estimated (the fixed effect and random effect versions of the model. The results reveal that there are difference in the magnitude and signs of the coefficient of the two results.

Looking at, the results obtained for the fixed effect, the R-squared and adjusted R-squared values show as 0.62 and 0.55 respectively. This implies that all the independent variables jointly explain about 55% of the systematic variations in profitability (PATM) across the quoted sampled firms in the sub-sector under review in Nigeria over the nine year period (2010-2018). The explanatory power of the model can be seen as very strong based on the F-statistics value (8.07987) and its p-value (0.0). This implies that the model is generally significant at 1% level. This also means that

the variables in the model are strong determinants of liquidity position across the sampled firms over the reference period.

On the other hand, the results with respect to the random effect technique show the R-squared and adjusted R-squared values as 0.14 and 0.11 respectively. This indicates that all the independent variables jointly explain about 11% of the systematic variations in the profitability across the quoted sampled firms in Nigeria over the nine-year reference period (2010-2018). The explanatory power of the model can be seen as strong, because the F-statistics (4.24368) and its p-value (0.00) show that the unbalanced panel random regression model is significance at 1% level. This also means that the model is generally of good fit and the variables therein are satisfactory.

Furthermore, in selecting between the two unbalanced panel data models (i.e, fixed and random effects results), the Hausman test was conducted and the result shows a statistically significant probability value of (0.04), which implies that we should reject the null hypothesis (Ho) (which assumes that random effect model is preferred to fixed effect model. This also implies that we

should adopt the fixed effect panel regression results in our study for the discussion of findings, policy formulation and recommendation(s).

The empirical evidence with respect to the fixed effect unbalanced panel estimation using the coefficients of the reveal as follows: that the debtors' management variable (DEBT_CA) indicates a negative impact on profitability as measured by profit after tax (PATM), but in a highly insignificant manner. This implies that debtors' management has the tendency to influence profitability indirectly but not in a significant way. This result implies that management of debtors inversely influence profitability, that is, the more the debtors as a result of poor management the less the profitability. This result conforms with *a priori* expectation since in real life, when a firms huge income is in the hands of its debtors, the firm will only be counting on artificial profit that is not ready cash.

The result also implies that a unit change in debtors' management has the tendency to cause a decrease of about (0.06956) unit change in profitability. This result suggests that we accept the hypothesis one (H_{01}) which states that the effect of debtors' management on profitability is not significant.

The empirical evidence further reveals that inventory management (INVET_CA) impact profitability negatively and in a very insignificant manner. This means that poor management of inventory has indirect relationship as expected *a priori* with the profitability of the firm. This outcome is not surprising at all as it truly conforms with *a priori expectation* that management of inventory will influence profit of the firm. This result also mean that a unit change in the inventory position has the tendency to cause a decrease of about (0.05758) unit change in profitability. This result suggests that we accept the hypothesis two (H_{o2}) which states that the effect of inventory management on profitability is not significant.

In addition, the empirical evidence with respect to cash management (CASH_CA) variable indicate a positive and significant impact on profitability of sampled firms. This outcome means that the more the efficient management of cash position the more profit.

That is, cash position has direct relationship with profitability. This outcome conforms with *a priori expectation*. The result also implies that a unit change in cash position has the tendency to cause an increase of about (0.24767) unit increase in profitability. This result suggests that we

reject the hypothesis three (Ho_3) which states that the effect of cash position on profitability is not significant.

Furthermore, the result with respect to working capital position as measured by current ratio (CURR_RATIO) show a positive and significant impact on profitability. This implies a direct relationship where whatever that affects the current ratio directly and significantly affects profitability. The implication of this outcome is that liquidity position which is the position at which the firms are able to meet all there obligations as at when due has been proved by this result to have a direct and significant influence on profitability.

This also means that a unit change in current ratio has the tendency to cause an increase of about (0.044763) unit change in profitability. This result also suggests that we reject the hypothesis four (Ho_4) which states that the effect of working capital position on profitability is not significant.

However, the entire result can be said to be generally satisfactory as indicated by the f-statistic which indicates the fitness of the general model.

4.3 DISCUSSIONS OF FINDINGS

HYPOTHESIS (H_0)

The proposed hypothesis H_o which implies that we should reject the null hypothesis(H0) which state that There Is No Significant Impact of profit after tax margin (PATM) on the Performance Of listed Manufacturing firm In Nigeria.

HYPOTHESIS ($\mathbf{Ho_1}$)

It states that debt management variable (DEBT_CA) indicate a negative impact on profitability as measured by profit after tax margin (PATM) but in a highly insignificant manner. The result also implies that a unit change in debt management has the tendency to cause a decrease of about (0.06956) unit change in profitability. This result suggests that we accept the hypothesis Ho_1which states that there is no significant effect of debtor management (DEBT_CA) on the performance/profitability of listed manufacturing firm in Nigeria.

HYPOTHESIS ($\mathbf{Ho_2}$)

It reveals that inventory management (INVET_CA) impact profitability negatively and in a very insignificant manner. This result mean a unit change in the inventory position has the tendency to cause a decrease of about (0.05758) units change in profitability. This result suggest accept the

hypothesis two Ho_2 which state There is No significant effect of Inventory management (INVET_CA) on the performance/profitability of listed manufacturing firm.

HYPOTHESIS ($\mathbf{Ho_3}$)

It reveals cash management (CASH_CA) variables indicates a positive and significant impact on profitability of sampled firms. The result implies that a unit change in cash position has the tendency to cause an increase of about (0.24767) unit increase in profitability. This result suggests that we reject the Hypothesis Ho_3 which states there is no significant effect of cash management (CASH_CA) on the performance/profitability of listed manufacturing firm in Nigeria.

HYPOTHESIS ($\mathbf{Ho_4}$)

It reveals working capital position as measured by current ratio (CURR_RATIO) show a positive and significant impact on profitability. This means that a unit change in current ratio has the tendency to cause an increase of about (0.044763) unit change in profitability. This result suggest

that we reject the hypothesis Ho_4 which states There is no significant effect of Working capital (CURR_RATIO) on the performance/profitability of listed manufacturing firm in Nigeria.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

In chapter four, the researcher analyze the data collected from one hundred & five (105) observations of listed manufacturing firms in Nigeria using descriptive statistics, followed by the correlation analysis, thereafter, the panel least squares methods was used to estimate the specified model.

These data have been carefully analyzed in order to no liquidity and performance of listed manufacturing firm in Nigeria. The recommendation to be given in this work will be based on the information collected and data analyzed.

5.2 CONCLUSION

In line with the findings of this study, it was established that financial liquidity has helped to improve financial performance of selected manufacturing firms in Nigeria.

Also, that profit after tax margin, cash management and working capital positon has positive and significant impact on the performance of manufacturing Firms in Nigeria. Therefore, it show that the 220 sample firms use in this research show that the management of such manufacturing firms are doing well in managing their working capital, cash management and profit after tax.

The study equally established that there is no significant impact of debt management and inventory management on the performance of selected manufacturing firms in Nigeria.

5.3 RECOMMENDATIONS

Consequently, upon the exposure and experience gained in this research, the researcher proffered the following recommendations as follows

1. That the management of manufacturing firms should focus more on profit after tax margin in order to prove their performance.
2. That cash management should be objectively focus on in order to increase the performance of manufacturing firms in Nigeria
3. That working capital should be improved on in order to keep increasing the performance of manufacturing firms in Nigeria.
4. That since there is no significant impact of debt management and inventory management; it should be totally over look in.

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