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LIQUIDITY MANAGEMENT AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

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Abstract

This study analyses the effects of liquidity management on the financial performance of consumer goods firms listed on the Nigerian Stock Exchange for the period 2016-2025. The steady decline in profitability despite policy measures in the Nigerian consumer goods industry is one reason for conducting this study. This study seeks to find out the impact of current ratio, quick ratio, cash ratio, and cash conversion cycle on return on assets. In this study, an ex-post facto research design is used. 21 consumer goods firms are chosen from the Nigerian Exchange Group and finally, 18 companies remain in the sample since some firms have incomplete financial information. Panel data regression using fixed effects model is applied in the study. The theoretical framework is based on the Trade-Off Theory. Results show that current ratio has a significant positive effect on return on assets (β = 0.0236, p=0.006). Quick ratio significantly positively affects return on assets (β = 0.0412, p=0.001). However, cash ratio has a significant negative impact on return on assets (β = −0.0945, p = 0.038). Cash conversion cycle also significantly negatively impacts return on assets (β = −0.0008, p=0.001). Variance explained in the financial performance is 42.16% (R-squared = 0.4216). From the findings of this study, one can conclude that effective liquidity management which includes optimal liquidity levels, not maximum levels, is an important variable in determining financial performance.

Keywords: Liquidity management, Financial performance, Consumer goods, Quick Ratio

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Introduction

Background of the Study

The link between liquidity management and financial performance remains one of the key themes examined in corporate finance literature with special reference to manufacturing enterprises in developing countries. The term liquidity management refers to the ability of a firm to effectively manage both its current assets and current liabilities to be able to meet its short-term obligations without suffering any losses. According to Hanum & Masdupi (2023), the viability of an organization is highly dependent on the company's liquidity status because inability to pay off debts will lower its credit rating among short-term creditors. In the same way, according to Almakura et al. (2024), liquidity management contributes significantly to good operating results and helps achieve short-term liquidity requirements. Additionally, Djohan (2023) argues that liquidity serves as a necessary criterion for the survival of an enterprise because even if the profitability of a business is poor, liquidity problems can lead to the demise of the organization.

One of the roles of the Chief Financial Officer (CFO) is to conduct liquidity management analysis aimed at maximizing the value and financial performance of the firm (Alhassan & Islam, 2021; Ugwu et al., 2021). There is an academic consensus that there are costs associated with excess liquidity but not sufficient liquidity that results in expenditure in terms of borrowing and disposing of assets. Thus, keeping optimum liquidity is considered beneficial in relation to firm performance in the long term. Effective liquidity management is crucial in meeting the present business commitments, and liquidity ratios, such as cash and efficiency ratios, can be maximized to improve firm performance (Anderson & Wintoki, 2024; Sharma & Sarin, 2024). However, according to Pandey (2005), the pursuit of profitability and liquidity tends to conflict, as one goal may require sacrifices in the other.

In relation to the Nigerian consumer goods industry, a study was conducted by Odum and Ovwighose (2025), whereby the effect of liquidity management on the financial performance of the listed consumer goods firms in Nigeria during the period 2015-2024 was assessed. According to the findings, the cash ratio has a significantly negative effect on financial performance for firms located at the tail end of the financial performance distribution. On the other hand, both quick ratio and current ratio significantly and positively affect the financial performance of high-performing consumer goods firms. Furthermore, the study reveals that cash conversion cycle negatively affects financial performance.

Oyelakun et al. (2025) carried out research regarding the effect of liquidity on profitability of Conoil Plc during the period 2010-2024 and found out that both current ratio, cash ratio and quick ratio positively yet insignificantly affect return on assets. Another study was

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carried out by Omoruyi et al. (2025) whereby the effect of cash management on liquidity and profitability of Nigeria's manufacturing firms was assessed using PZ Industries Plc as the case study firm.

Research Problem

Despite the importance of liquidity management to organizational success, the financial performance of consumer goods companies in Nigeria has remained difficult since the period between 2015 and 2024. According to statistics from the Manufacturers Association of Nigeria, there was a sharp reduction in the manufacturing value added to 25.36 billion in 2024 from 55.9 billion in 2023, and 18,935 job losses occurred in the first half of 2025 due to high prices for materials and lack of foreign exchange. Recently, it can be noted that there is a contradiction between profitability and cash flow among organizations. For instance, despite the increase in profit of N38.9 billion in Q1 2026, cash flow has declined from N114.3 billion to N56.8 billion at Nestlé Nigeria Plc; while trade receivables reached N508 billion. In addition, at BUA Foods Plc, profits are increasing from N140.8 billion to N142.3 billion, while cash flow is reducing from N29.1 billion to N8.4 billion, and receivables increased to N85.1 billion.

Empirical studies show inadequate management of liquidity within the Nigerian consumer goods companies. However, there exists a divergence of findings in the prior studies, leaving little or no direction for policy makers and corporate executives. The above evidence gap is attributed to the fact that the literature review conducted includes research studies that have mainly covered periods before 2020 and have analyzed individual firms without taking into consideration the turbulent period from 2021-2026, where the period was marked by devaluation of currency, foreign exchange issues, and increased levels of debt. The above methodological gap lies in the fact that most studies conducted on the subject matter have adopted ordinary least squares without carrying out any diagnostic test for the panel data analysis and have neglected the role of moderation variables, which can explain the inconsistencies in findings in previous studies.

Research Questions

The research question are as follows

1. Does current ratio have any significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria?
2. Does quick ratio have any significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria?
3. Does cash ratio have any significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria?

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Prof. R. Rena [South Africa]

4. Does Cash conversion cycle have any significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria?

Research hypotheses

The following null hypotheses are formulated to guide this study:

H_{01}: Current ratio has no significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria.

H_{02}: Quick ratio has no significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria.

H_{03}: Cash ratio has no significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria.

H_{04}: Cash conversion cycle has no significant effect on the financial performance (ROA) of listed consumer goods companies in Nigeria.

Research Objectives

The main objective of this study is to examine the effect of liquidity management on the financial performance of listed consumer goods companies in Nigeria. The specific objectives are to:

1. Examine the effect of the current ratio on financial performance of listed consumer goods companies in Nigeria.
2. Assess the effect of the quick ratio on financial performance of listed consumer goods companies in Nigeria.
3. Evaluate the effect of the cash ratio on financial performance of listed consumer goods companies in Nigeria.
4. Determine the effect of the cash conversion cycle on financial performance of listed consumer goods companies in Nigeria.

Scope and Significance of the Study

In this study, the effect of liquidity management on the financial performance of consumer goods companies that have their shares listed on the Nigerian stock exchange is examined using the years 2016–2025 as the time frame under investigation. Current ratio, quick ratio, cash ratio, and cash conversion cycle are used as liquidity indicators. The independent variable in this case is return on assets, while firm size is used as the moderating variable. The importance of this study includes its empirical contribution toward solving conflicting results in previous studies, its practical implication for financial managers concerning the best practices of liquidity management, its contribution to decision-making among policymakers and investors, and its theoretical contribution.

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Financial Performance

The financial performance of the firm can be seen as one of the key indicators used to gauge the effectiveness of operations within the firm and how well the firm manages to make money compared to its cost incurred over the specified duration (Odum & Ovwighose, 2025). Although profit forms one of the absolute measures, profitability can be considered one of the relative measurements used to measure the efficiency of operations of the firm or in other words its ability to gain a profit or sufficient return from the capital invested (Almakura et al., 2024). The profitability of the business organization has been widely perceived as mainly associated with the effectiveness of management of the firm in managing its working capital (Agbonkhehi, 2025).

Liquidity Management

Liquidity management refers to the management of the current assets and current liabilities of the firm in such a manner that short-term liabilities can be paid on time without facing any losses (Hanum & Masdupi, 2023). This involves striking a balance between having enough money to cover the expenses of the business and using extra funds to earn money (Alhassan & Islam, 2021). Liquidity becomes an important aspect for the firms making profits because owners of the companies look at the balance sheet of the company and evaluate whether the company has enough liquid resources to pay off its liabilities (Djohan, 2023).

Current Ratio

The current ratio is the financial performance ratio which measures the ability of an organization to meet its short-term liabilities using current assets (Odum & Ovwighose, 2025). Current ratio can be measured using the ratio between current assets and current liabilities (Iliyasu et al., 2024). With regard to positive performance, a strong current ratio denotes that the organization can easily meet its short-term liabilities, hence increasing the credit worthiness of the organization (Anderson & Wintoki, 2024). This means that there is a possibility of retained earnings in the organization.

Quick Ratio

It is important to note that the quick ratio is viewed as more prudent when compared to the current ratio since its calculation considers only the liquidity of the current assets (quick assets) in relation to current liabilities (Omoruyi et al., 2025). The quick ratio is calculated as follows: (Current assets – Inventory)/Current liabilities (Oyelakun et al., 2025). Management of the quick ratio is often linked to good financial performance since it measures the liquidity of a company to pay for short-term debts without using inventory (Odum & Ovwighose, 2025).

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Cash Ratio

The cash ratio is the most conservative indicator of liquidity, measured by dividing cash plus cash equivalents by current liabilities (Sharma & Sarin, 2024). Holding sufficient cash provides protection against uncertainties, prevents bankruptcy, and helps take advantage of favorable market situations (Keynes, 1936). The cash balance works like a safety cushion and reduces both risks and costs (Ferreira & Vilela, 2004). On the other hand, having too much liquidity will be costly since there will be less profit, and insufficient liquidity can be compensated for by borrowing or selling liquid assets, both of which involve expenditures (Pandey, 2005).

Cash Conversion Cycle

Cash Conversion Cycle refers to the time that elapses from a firm's outlay of funds for purchasing raw material until its cash inflow from clients. This measure is obtained by adding the days inventory outstanding and the days sales outstanding and then deducting the days payables outstanding (Agbonkhehi, 2025; Odum & Ovwighose, 2025). Efficient management of the cash conversion cycle results in better financial performance in view of balancing the costs and benefits related to working capital management in terms of liquidity (Modigliani & Miller, 1963). Reduced duration of the cash conversion cycle implies prompt recovery of cash tied up in inventory and accounts receivable. Hence, there is no need for borrowing and payment of interest charges.

Conceptual Framework

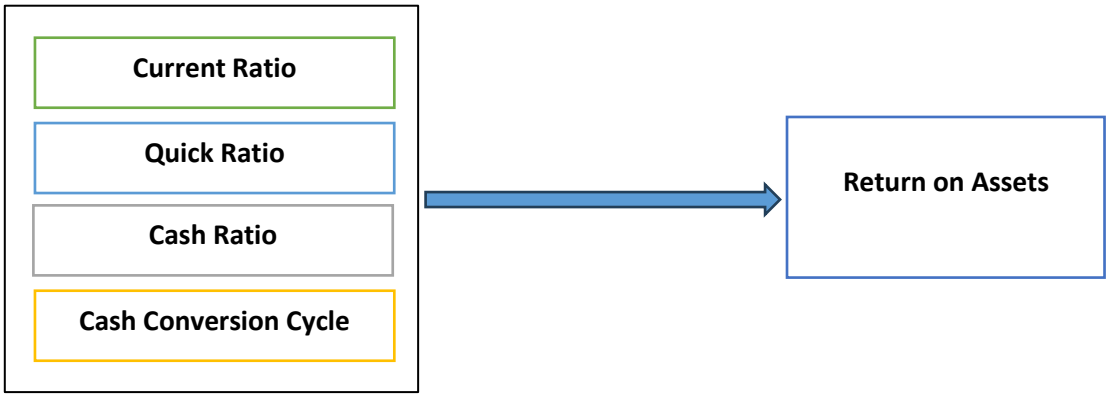

Fig.1 Conceptual Framework

Soource: Authors Conceptual Framework 2026 adopted from; Chinwe & Chavwuko (2025)

Trade-Off Theory

The Trade-off Theory is derived from the fundamental works done by Modigliani and Miller on capital structure in 1958 and 1963. Further studies have improved the trade-off theory regarding the issue of liquidity management through Myers (1984) and Ferreira

and Vilela (2004). The theory assumes that firms achieve an optimal amount of liquidity that will minimize costs of holding the liquidity and maximize the benefits of holding it. The cost associated with the holding of liquidity results from the low returns on current assets since there is a liquidity premium. The benefit that results from this includes lower transaction cost incurred when obtaining money from outside parties and the existence of liquidity assets that can finance activities where other funding options are restricted or very costly. Assumptions include that firms can determine the optimal level of liquidity that will increase firm value; there are transaction costs for raising money externally; and management is rational enough to minimize marginal cost of raising money against marginal benefits of holding liquidity. However, the theory fails to explain how some companies have accumulated too much liquidity despite having debts; further, the time to reach to the target amount of liquidity can take long due to huge adjustment costs. Hence, this research study uses the Trade-off Theory since it clearly shows the relationship between liquidity and profitability.

Pecking Order Theory

According to the Pecking-Order Theory developed by Myers & Majluf (1984), a firm prefers financing from internal sources such as retained earnings and cash holdings before seeking external sources. Debt financing is used as compared to equity when external financing is unavoidable because of information asymmetries and adverse selection costs. This theory is based on the notion that managers have better information about their firms' value than the outsiders leading to cost hierarchy of financing sources with internal financing being cheaper, followed by debt, while equity is considered the most expensive source. One of the drawbacks of this theory is the failure to explain the external financing decisions of small firms which may have limited retained earnings and face problems of raising debts. Another limitation is the assumption that managers work in the best interest of the existing shareholders which is not always true. Firms that have good liquidity positions and high current ratios as well as cash balances can finance investments from internal sources hence avoiding the cost of external financing. In this research, the Pecking-Order Theory helps understand why companies with good liquidity management are financially successful due to reduced dependence on expensive external financing.

Empirical Review

The study conducted by Odum and Ovwighose (2025) analyzes the role of liquidity management in enhancing the financial performance of quoted consumer goods firms in Nigeria during the years 2015–2024. This research was carried out through the use of the ex post facto design approach, which selected eighteen consumer goods firms using

purposive sampling technique. Quantile regression was used to assess the impacts at different financial performance levels. The findings reveal that the cash ratio significantly affects the financial performance of consumer goods firms negatively, but the quick ratio and current ratio significantly affect them positively for firms performing well. Moreover, the cash conversion cycle is shown to negatively impact the financial performance of the firms. Thus, the researchers advise that there should be a balance between the cash reserves of the firms and excessive liquidity.

Ogbuigwe et al. (2025) seek to examine the influence of the cash conversion cycle on the financial performance of listed consumer goods companies in Nigeria from 2014 to 2023. Through a retrospective research design, Ogbuigwe et al. analyze data gathered from a panel of one hundred and fifty observations extracted from fifteen listed consumer goods firms using panel multiple regression in E-Views 10.0. According to the results, accounts receivable turnover ratio is shown to be statistically positively related to return on assets (Coefficient = 0.0778, p = 0.0012), while the accounts payable turnover ratio negatively but not statistically significantly affects return on assets (Coefficient = -0.0590, p = 0.7897). Also, inventory turnover ratio positively and statistically significantly affects return on assets (Coefficient = 1.5166, p = 0.0472). The findings show that the cash conversion cycle influences the financial performance of listed consumer goods companies in Nigeria. The study suggests that for optimal financial performance, the firms should focus on managing their accounts receivable through proper credit policies and debt collection mechanisms.

Rebin et al. (2024) investigated the impact of cash management on the financial performance of consumer goods companies quoted on the Nigerian stock market during the period 2011–2020. The study adopted an ex-post facto approach in investigating the impact of cash management on the financial performance of consumer goods companies, analyzing a sample of seventeen companies selected from a population of twenty consumer goods companies listed on the Nigerian stock exchange. The secondary data used in the study were derived from annual reports and accounts. Multiple regression analysis and panel data were used in analyzing the data. It was found that average receivable and cash conversion cycle have a statistically significant positive impact on financial performance at 1%. On the other hand, cash balance and average payable had no significant impact on financial performance.

Iliyasu et al. (2024) explored the role of firm size as a moderator on the relationship between liquidity management and profitability of consumer goods firms listed in Nigeria from 2013 to 2022. The study relied on secondary data, with measures of liquidity management taken as debt ratio and current ratio and measures of profitability as return on assets. Panel data approach was used, and the study considered fixed effects regression as suitable. According to the findings, current ratio has a positive and

significant influence on return on assets. In conclusion, the study recommends firms to be careful about managing their current ratios to maintain good levels of liquidity.

The Kajola et al. (2019) paper focuses on the influence of liquidity and leverage on the financial performance of 17 consumer goods companies listed on the Nigerian Stock Exchange from 2012 to 2017. The research uses the multiple regression methodology where the Ordinary Least Squares (OLS) model is applied for estimation purposes. The findings of the analysis show that leverage ratios significantly affect the financial performance of companies. However, the study does not find any empirical evidence that supports the role of liquidity ratios since the current ratio and quick ratio do not have any impact on the performance of companies. Therefore, the managers should adopt appropriate ways of managing liquidity needs.

To summarize, the empirical studies suggest that there is no conclusive evidence for the relationship between liquidity management and financial performance. First, according to Odum and Ovwighose (2025), the significant positive impacts exist for both the quick ratio and the current ratio, whereas a negative impact has been recorded for the cash conversion cycle. Second, according to Ogbuigwe et al. (2025), there is a significant positive relationship between the accounts receivable and the inventory turnover ratios and return on assets. Third, Rebin et al. (2024) find a significant positive influence of the cash conversion cycle on financial performance, whereas Iliyasu et al. (2024) record a positive and significant relationship between the current ratio and financial performance. In addition, Kajola et al. (2019) do not find any empirical evidence to support the significant relationship of either the current ratio or the quick ratio to financial performance. The lack of consensus and the contradictions among previous empirical studies show that there must be other determinants that have been ignored by past studies. Past empirical research focuses heavily on individual firms or the entire manufacturing industries without giving attention to the consumer goods industry. This research seeks to fill the identified gap by adopting a panel data approach of analyzing 18 listed consumer goods firms during 2016-2025.

Research Design

The approach adopted in this study is that of descriptive and correlational research. The descriptive aspect is used to describe liquidity management strategies as well as the financial performance of sampled firms, as they exist in their natural setting. Correlation is used in this case to determine whether there exists any relationship between liquidity management, which is an independent variable, and financial performance, which is a dependent variable. This approach is easy to understand and suitable for use in cases where no manipulation of variables takes place.

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Prof. R. Rena [South Africa]

Population of the Study

The population of this study comprises all twenty-one (21) consumer goods companies listed on the Nigerian Exchange Group (NGX) as of December 31, 2025. These include companies in food and beverages, personal care products, household goods, and tobacco subsectors.

Sample Size and Sampling Technique

For the purposes of this research, the determination of sample size was done based on purposive sampling techniques. These are: (i) the company should be continuously listed at the NGX over the period of 2016 to 2025; (ii) the company should be able to provide complete financial statements of each year within the ten years studied; and (iii) the company should have the required data to calculate all ratios related to liquidity and return on asset. With these criteria in mind, three companies have been dropped because of missing data, leaving a total of eighteen (18) consumer goods firms to be used in the study. This is due to the ten years considered, giving us 180 firm-year data (18 x 10 years).

Method of Data Collection

In this research, secondary data only will be used. The data will be sourced from the annual financial statements and account statements of the eighteen selected consumer goods firms from 2016 to 2025. The annual financial statements of the firms are available publicly in the Nigerian Exchange Group (www.ngxgroup.com) website and also in the respective firm's websites.

Technique of Data Analysis

The research will use the following two methods of data analysis: descriptive statistics and multiple regression analysis.

Firstly, descriptive statistics will be used in analyzing the data. The average, standard deviation, minimum, and maximum will be obtained for each variable over all firms and years. Descriptive statistics will help to understand the liquidity position and profit-making ability of Nigerian consumer goods firms.

Secondly, simple linear regression analysis will be utilized in testing the hypotheses. Simple linear regression will be used due to the ease with which it will help to analyze the relationships between the variables by looking at the relationship between one independent variable and one dependent variable at a time. Simple linear regression will be done separately for each of the four independent variables against the dependent variable. Thus, there will be four simple regression models because there are four independent variables. Multiple regression analysis would have been too complicated due

to the interaction among the independent variables. The analysis will be performed through Statistical Package for the Social Sciences (SPSS) or Microsoft Excel.

Model Specification

To determine the effect of liquidity management on the financial performance of quoted consumer goods companies in Nigeria from 2016 to 2025, the following regression equation will be used:

$$ROA = \beta_0 + \beta_1 CRit + \beta_2 QRit + \beta_3 CARit + \beta_4 CCCit + \varepsilon it$$

Where:

Symbol	Description
ROA	Return on Assets (financial performance)
β	Beta (regression coefficient)
CR	Current Ratio
QR	Quick Ratio
CAR	Cash Ratio
CCC	Cash Conversion Cycle
ε	Epsilon (error term)

Decision rule: At 5% significance level ($p < 0.05$), if the p-value is less than 0.05, the null hypothesis is rejected. If the p-value is greater than 0.05, the null hypothesis is accepted.

Descriptive Statistics

The descriptive statistics for all variables are presented in Table 4.1 below.

Table 4.1: Summary of Descriptive Statistics

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
ROA	0.0842	0.0725	0.0916	-0.2150	0.3420
CR	1.8540	1.6200	1.1230	0.5100	8.4200
QR	0.9610	0.8500	0.6470	0.2100	3.8900
CAR	0.1840	0.1120	0.2080	0.0100	1.3400
CCC	98.4200	86.5000	62.7300	-25.0000	312.0000

Source: Stata Output 2026

Based on the descriptive statistics, the mean ROA for the sampled firms in the consumer goods sector is 0.0842 (8.42%) such that the firms make profits worth 8.42 kobo from each naira of assets. The standard deviation of 0.0916 shows that there exists some level of

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dispersion among the firms. The mean current ratio stands at 1.85 showing that the firm has current assets 1.85 times higher than its current liabilities, and this exceeds the benchmark set for manufacturing companies. The mean quick ratio stands at 0.96, slightly lower than the standard benchmark of 1.00, implying that the company uses its inventories to cover part of its obligations. The mean cash ratio is 0.184, implying that the firm has relatively lower amounts of cash balances compared to the current liabilities. The mean of the cash conversion cycle is 98.42 days meaning that it takes an average of 98 days for the firms to convert their inventory and receivables to cash.

Correlation Analysis

The correlation matrix is presented in Table 4.2 below.

Table 4.2: Correlation Matrix

Variable	ROA	CR	QR	CAR	CCC
ROA	1.000				
CR	0.324**	1.000			
QR	0.418**	0.862**	1.000		
CAR	-0.289**	0.341**	0.398**	1.000	
CCC	-0.397**	-0.412**	-0.458**	-0.281**	1.000

Source: Stata Output 2026 ***Correlation is significant at the 0.01 level (2-tailed).***

Based on the correlation analysis, return on assets (ROA) is positively and significantly correlated to the current ratio ($r = 0.324$, $p < 0.01$) and quick ratio ($r = 0.418$, $p < 0.01$). On the other hand, ROA is negatively and significantly related to the cash ratio ($r = -0.289$, $p < 0.01$) and cash conversion cycle ($r = -0.397$, $p < 0.01$). Due to the high degree of correlation between current ratio and quick ratio ($r = 0.862$), it may suggest the presence of multicollinearity; however, since the variance inflation factors (VIFs) of these two variables are reasonable, they may be considered together in the model.

Regression Analysis

Before conducting the regression analysis, some tests were performed to determine the robustness of the result. The Breusch-Pagan LM test suggested that using pooled OLS estimation for analysis is not appropriate. The Hausman specification test supported the fixed effect specification against the random effect specification (p-value<0.05). The test for multicollinearity revealed that all the Variance Inflation Factor (VIF) values were below 5, which means that there was no multicollinearity problem even with very high correlations between the current and quick ratio variables. Heteroskedasticity was identified by the Breusch-Pagan test; hence, robust standard errors had to be used.

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The results of the panel data regression analysis using the fixed effects model are presented in Table 4.3 below.

Table 4.3: Panel Data Regression Results (Fixed Effects Model)

Dependent Variable: Return on Assets (ROA)

Variable	Coefficient	Std. Error	t-statistic	p-value
Constant (β_0)	0.0284	0.0156	1.821	0.070
CR (β_1)	0.0236	0.0084	2.810	0.006
QR (β_2)	0.0412	0.0123	3.350	0.001
CAR (β_3)	-0.0945	0.0452	-2.091	0.038
CCC (β_4)	-0.0008	0.0002	-3.521	0.001
R-squared			**0.4216**	
Adjusted R-squared			**0.3843**	
F-statistic			28.74	
Prob(F-statistic)			0.0000	
Number of observations			180	
Number of firms			18	

Source: Stata Output 2026

From the regression analysis result, it is evident that the entire regression equation is statistically significant ($F(4, N-4) = 28.74$, $p < 0.001$). In this case, an R-squared value of 0.4216 implies that about 42.2% of the variance in the return on assets can be accounted for through the four liquidity management variables in the equation.

Test of Hypotheses

Based on the regression results presented in Table 4.3, each hypothesis is tested at the 5% significance level ($p < 0.05$).

Hypothesis 1 (H_{01}): Current Ratio does not have any statistically significant impact on financial performance measured by Return On Assets (ROA) of publicly quoted consumer goods companies in Nigeria. The estimated coefficient of current ratio is $\beta_1 = 0.0236$ with a probability value of 0.006, which is less than 0.05. Hence, we reject H_{01}. It implies a statistically significant impact of current ratio on ROA. An increase in current ratio by one unit leads to an increase in ROA by 0.0236 (2.36%) while controlling for other factors.

Hypothesis 2 (H_{02}): Quick Ratio does not have any statistically significant impact on financial performance measured by ROA of publicly quoted consumer goods companies in Nigeria. The estimated coefficient of quick ratio is $\beta_2 = 0.0412$ with a probability value of 0.001, which is less than 0.05. Hence, we reject H_{02}. It implies a statistically significant

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Prof. R. Rena [South Africa]

impact of quick ratio on ROA. An increase in quick ratio by one unit results in an increase in ROA by 0.0412 (4.12%).

H_{03} Hypothesis: The cash ratio does not significantly influence the financial performance of listed consumer goods firms in Nigeria as measured through return on assets (ROA). The calculated value of β_3 is negative (-0.0945) and has a p-value of 0.038, less than 0.05, and thus is statistically significant. This shows that H_{03} is rejected, and it means that the cash ratio significantly influences the ROA, negatively. An increase of one unit in the cash ratio leads to a reduction in ROA of 0.0945, or 9.45%.

H_{04} Hypothesis: The cash conversion cycle does not significantly influence the financial performance of listed consumer goods firms in Nigeria as measured through return on assets (ROA). The computed value of β_4 is negative (-0.0008) and the p-value is 0.001, less than 0.05 and therefore statistically significant. Thus, H_{04} is rejected, showing that the cash conversion cycle significantly influences the ROA, negatively. An increase of one additional day in the cash conversion cycle reduces ROA by 0.0008, or 0.08%.

Findings and Implications of Findings

From the findings from the empirical analysis, it is evident that the current ratio and quick ratio have significantly impacted ROA positively, meaning that there is superior financial performance among consumer goods firms with relatively high liquidity ratios. This result is consistent with what is stipulated under the Trade-Off theory, whereby adequate liquidity ratios (in the form of current assets in relation to current liabilities) provide a cushion to meet the business needs without having to borrow short term funds which may be quite expensive. However, cash ratio has significantly impacted ROA negatively, meaning that increased cash holding leads to reduced profitability due to the low opportunity cost. In addition, Cash Conversion Cycle significantly impacts ROA negatively, meaning that firms with relatively short Cash Conversion Cycle are more profitable since they manage to recover the cash invested in inventories and receivables in a short period, thus not needing external financing sources. Based on these findings, it can be concluded that consumer goods firms should maintain healthy ratios for current and quick ratios, reduce the amount of cash beyond what is needed for operations, and adopt measures to reduce Cash Conversion Cycle.

Robustness Checks

To ensure the reliability of the findings of the paper, robustness tests were done through the comparison of the results generated from the study with the previous findings of the empirical researches carried out in the same area of study. Results obtained indicate a close resemblance with the findings of Odum and Ovwighose (2025) that showed both current ratio and quick ratio having a significant influence on high-performing consumer

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Prof. R. Rena [South Africa]

goods companies, and Oyewunmi (2024) that revealed the significance of liquidity management in affecting ROA at 1% level of significance. The negative impact shown between cash conversion cycle and profitability is also consistent with the research conducted by Ebiringa et al. (2025) where it was established that efficient management of receivables increases profitability. However, inconsistencies were also observed in this regard as shown by Adekanmi et al. (2022) which revealed that quick ratio had no significant impact while Oguntuase et al. (2024) discovered a negative relationship between current ratio and ROA.

CONCLUSION

This paper evaluates the effect of liquidity management on the financial performance of listed consumer goods companies in Nigeria from 2016 to 2025. Using panel data regression analysis on a sample of eighteen companies over a period of ten years, the study examines the relationship among four hypotheses based on current ratio, quick ratio, cash ratio, and cash conversion cycle. The findings reveal that the current ratio and quick ratio significantly and positively influence return on assets, which shows that sufficient liquidity is an important component of profitability. On the other hand, the cash ratio and cash conversion cycle negatively influence return on assets, thus showing that excess liquidity and higher periods to convert investment into cash reduce profitability. It can be concluded that liquidity management with regard to optimal and not maximum liquidity plays a vital role in determining financial performance.

RECOMMENDATIONS

Based on the results and conclusion of this study, the following recommendations can be made:

1. Companies dealing in consumer goods should maintain the current ratio at a level that will maximize solvency and profits. As established in this study, there exists a strong and positive relationship between the current ratio and financial performance, implying that firms must maintain a current ratio of between 1.5 and 2.0. They should avoid having a high current ratio since this could imply the inefficient utilization of the firm's current assets.
2. Since the quick ratio had the most positive effect on financial performance among all the liquidity ratios, firms should have more liquid assets than inventories. Credit management policies need to be adopted by the management to ensure that receivables are collected in good time and adequate cash reserves are maintained without unnecessary idle cash reserves.
3. Because the cash ratio negatively affected financial performance significantly, firms should avoid keeping excess cash. All excess cash needs to be used

EDITOR-IN-CHIEF
Prof. R. Rena [South Africa]

productively in growth-oriented activities, R&D, debt reduction, and payment of dividends to the firm's owners.

4. Due to the negative and significant effect of CCC on financial performance, consumer goods companies should work towards minimizing CCC. The company should aim at speeding up the process of inventory turnover through improved production and sales, reducing the number of days taken to sell products, and negotiating long supplier payment terms where possible without jeopardizing supplier relations.The board of directors and audit committees of consumer goods companies should mandate regular quarterly reviews of liquidity ratios and cash conversion cycles, benchmarking them against industry averages and best-performing peers. This will enable early detection of liquidity problems and prompt corrective actions.
5. It is advisable that the SEC and NEXG consider the possibility of coming up with liquidity rules that target the unique requirements of each consumer goods manufacturing subsector rather than developing a generic liquidity rule that does not suit everyone's unique working capital needs.

Suggestions for further research

Future research can widen the scope of research by considering listed companies that do not deal in consumer goods and other industrial segments. Future research can incorporate moderators such as size, leverage, and governance to examine when liquidity management affects financial performance. In addition, other financial performance measures like return on equity and Tobin's Q can be used in future research.

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