

Contribution of Current Assets Management to the Financial Performance of Listed Consumer Goods Firms in Nigeria

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ABSTRACT

The study examined the effect of current asset management on the financial performance of listed consumer goods firms in Nigeria. The study specifically determined the extent to which debtor turnover ratio, cash ratio and inventory turnover ratio affect the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group, using causal-comparative research design. Purposive sampling technique was deployed to determine the twelve (12) consumer goods firms that made up the sample participants of the study, out of a population of twenty-one. Secondary data were obtained from the annual reports and accounts of the selected companies over a period of ten years which spanned from 2011 to 2020. The hypotheses formulated were tested using Ordinary Least Square technique at 5% level of significance. The findings revealed that while debtor turnover ratio and inventory turnover ratio have a positive effect on earnings per share, cash ratio negatively affects the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group. However, the effects were not significant at 5% level. It was recommended that managers of consumer goods firms should reduce to minimal level the time it will take between sales of goods and services and the collection of cash since the performance of firms can be increased through an increment in frequency of debt collection.

KEYWORDS: Cash Ratio, Current Asset Management, Debtor Turnover Ratio, Inventory Turnover Ratio, Financial Performance

1. INTRODUCTION

Over the years, there has been a copious empirical enquiry into the extent to which management of current assets influences the financial results of firms. As a result of the increasing need for trade-off between profitability and liquidity, the effect of current assets management on firm financial performance has taken a vital position in a number of corporate researches (Kaodui, Musah, Mensah & Coffie, 2020; Baafi, Duodu, Effah & Boachie, 2020; Adesina & Olatise, 2020). It is widely argued that the utmost responsibility of a firm's financial manager is to maximize shareholders wealth and profit. However, current assets management has been a major issue especially in developed countries and as a result, in order to explain the relationship between current assets management and operating performance, research have been carried out in different parts of the world especially in developed countries. Indeed, a lot of researches have been

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conducted in different countries to show the effects of current assets management on firm's operating performance (Adesina & Olatise, 2020).

Current assets need to be managed using some techniques and practices adopted by a firm in order to maintain a "balance" between current assets and current liabilities with the aim of guiding against solvency and profitability problems (Kajola, Sanyaolu, Alao & Ojunrongbe, 2020). This is where liquidity and operating profitability become two sides of the same coin because they work in opposite directions such that increasing liquidity of the firm will reduce operating profitability and vice versa (Olaoye, Adekanbi & Oluwadare, 2019). When a business entity takes the decision regarding its current assets and current liabilities it can be termed as current assets management. The primary components of current assets management include inventory

levels, trade credit (accounts receivables), accounts payables, as well as cash conversion cycle.

The aim of managing current assets is to establish a trade-off between operating performance and liquidity which are the salient goals of working capital management. Any higher or lower amounts invested in current assets will have an adverse effect on the operating performance and liquidity of the firm. A firm will not survive if the profit is overlooked while on the other hand bankruptcy and insolvency may happen if we do not care about liquidity (Yameen, Najib & Tabash, 2019). To achieve the desired profit level and keep a business going, literature affirmed that the management of current assets components is indispensable in that firms' operating performance might decrease if the costs of investment in working capital increase faster than the benefits of granting more trade credit to customers or holding more inventories (Uguru, Chukwu & Elom, 2018). It, therefore, implies that the seemingly poor performance of a number of consumer goods firms in Nigeria might not be unconnected to their failure to effectively and efficiently manage their current asset items (Adesina & Olatise, 2020).

Management of current assets is one of the important corporate financial decisions of a firm. Its efficiency is vital more particularly for manufacturing firms, where a major part of assets is composed of current assets most especially inventory and trade receivables (Omari, 2020). The objective of this sort of management is to maintain an optimal balance between each of the working capital components. This makes current assets management an essential part of financial management which contributes significantly to a firm's wealth creation as it directly influences organizational profitability and solvency. Current assets are the capital available for conducting the day-to-day operations of the business and consists of current assets.

In Nigeria where credit is either not available or expensive to obtain, there are corporate issues across almost all the consumer goods firms that have to do with liquidity problem and consequently their operating performance and profit maximization. Working capital which is the difference between current assets and short-term liabilities is essential on the basis that firms must endeavor to have the required current assets that are needed for their day to day operations. This ensures that current liabilities do not exceed current assets so as to avoid liquidity problem and that the consciousness of liquidity should not override the ultimate goal of a business undertaking which is profit maximization.

Poor management of debt collection period, cash conversion cycle and inventory policy has a greater effect on the operational activities, which in turn, affects the profitability level of the firm. As consumer goods firms would not want to lose sales due to inventory stock-outs, they also do not want to have too much inventory staying on hand because of the cost of carrying inventory. Thus, this clarifies why it is often argued that effective current assets management contributes relevantly to the operational success or failure of firms.

As a matter of concern, an excessive current asset is an indicator that there are idle resources which yield no profit. However, inadequate levels of current assets is detrimental to the operational activities of the firms in that it stagnates growth, reduces the efficiency of working capital and renders the firm unfit for attractive credit opportunities (Nworie & Ofoje, 2022). The researcher is disturbed by the fact that firms that fail to develop optimal current assets levels often fail to balance the firm's working capital position. Thus, such firms stand a high chance of experiencing increase in level of credit risk and insolvency.

Previous researchers who have studied the subject matter of this present study rarely used Earnings Per Share as the proxy of the dependent variable. Thus, this present study intends to fill the research vacuum by surrogating financial performance with Earnings Per Share in order to examine the extent to which current asset management affects the financial performance of listed consumer goods firms on the Nigerian Exchange Group. The study specifically aims to examine the extent to which debtor turnover ratio, cash ratio and inventory turnover ratio affect the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group.

2. Literature Review

2.1. Conceptual Review

2.1.1. Current Asset Management

Current asset management refers to the techniques and practices adopted by a firm in order to maintain a "balance" between current assets and current liabilities with the aim of guarding against solvency and profitability problems (Kajola, Sanyaolu, Alao & Ojunrongbe, 2020). Management of current assets is vital for all business survival, sustainability and its direct impact on performance (Duru, Ekwe & Eje, 2014). The management of the current assets and a current liability of a firm is known to be liquidity management (Jacob & Siaw, 2019). Asserting to this, Baafi, Duodu, Effah and Boachie (2020) opined that current asset management is that part of a firm's

finance that centered on maintaining adequate current assets to meet current liabilities so that the effectiveness and efficiency of the day to day operation is not grossly affected. Expanding this, they further submitted that both inadequate and excessive liquidity levels are not palatable to a firm's success. While inadequate current asset engenders stagnation of growth, excessive working capital means idle funds with no gain or profit (Yameen, Najib & Tabash, 2019). Therefore, management must monitor and properly manage the periodic cash flow position through the cash flow statement analysis.

Management of current assets is the process of ensuring and controlling those various working capital components as efficiently and effectively as possible in such a way that it eliminates the risk of inability to meet short term commitments on one hand, delay in payment to suppliers and encourage prompt receipt from customers by giving them discount on the other hand, and finally to make decision about the amount and composition of working capital and how to finance them (Kaodui, Musah, Mensah & Coffie, 2020). The management of current assets can be defined as an accounting approach that emphasize on maintaining proper levels of both current assets and current liabilities. It provides enough cash to meet the short-term obligations of a firm.

Current asset management has to do with the administration of all aspects of current assets, namely cash, marketable securities, stock and current liabilities (Adesina & Olatise, 2020). One of the major objectives of current asset management is to ensure that corporate entities have sufficient, regular and consistent cash flow to fund their activities (Khidmat & Rehman, 2014). Therefore efficient management of current asset could enable firms in sustaining growth which, in turn leads to strong liquidity and profitability for ensuring effective and efficient customer services.

According to Adesina and Olatise (2020), the basic current assets management components which should be managed efficiently includes the account receivables or debtors collection period, accounts payables or creditors payment period, inventory management, cash and cash equivalents and the operating cycle of a firm. However, for the purpose of this study, the components of liquidity discussed in this study are inventory management, cash management and accounts receivable management.

2.1.2. Inventory Management

Inventory conversion period is another important component of current asset which is also called inventory turnover period (Korankye & Adarquah,

2013). According to Nzewi (2015), it is the average time required to convert materials into finished goods and then to sell those goods. This variable helps in evaluating the efficiency in inventory management policy of the firm. If firms take more time in selling inventory which means that inventories are not getting converted into sales, will inevitably decrease the profitability of firm (Investopedia.com, 2019). Inventory conversion period is calculated using inventory divided by the cost of sales multiplied by 365 days (Jacob & Siaw, 2019).

Inventory is made up of raw materials, work-in-progress, and/or final products. Number of days inventory are held, assesses how fast inventory move in organization from the factory to outlets of sale. It measures the mean number of period inventory remain in the warehouse before sale. Days inventory are outstanding denotes the average time-lapse in terms of days for goods to be purchased as raw materials converted into the finished good, and finally sold to the customers. Having in mind the increases or decreases in demands for products, production requirements and scarcity of resources, the financial manager has to keep at all times the optimal level of inventory (Iqbal, 2014). Inventory management in successful firms has changed to an effective means of maximum utilization of assets (Uguru, Chukwu & Elom, 2018). The number of days inventory are held can be referred to as inventory conversion period or quotient of inventory and cost of sales multiplied by 365 days (Uguru, Chukwu & Elom, 2018). The inventory conversion period helps in evaluating the efficiency in inventory management policy of the firm (Ahmed & Akeju, 2016).

2.1.3. Cash Management

Cash management is the planning, organizing, and controlling of cash inflows and outflows in an entity during a particular period (Nwarogu & Iormbagah, 2017). Cash is the total value of the money that is actually received by or paid out by an entity for over a certain time period. It refers to those pool of funds that the firm commits to its non-current assets, inventories, account receivables and marketable securities that generates profit. The ability of the company to efficiently and effectively choose adequate sources of funds to finance its activities will differentiate a strong cash flow management and poorly managed cash flows. Cash management involves the process of cash collection, monitoring of cash and its application in investment activities. It is one of the key element for ensuring a company's financial stability and solvency because any business entity, having the objective of maximizing on the profits must always want to acquire the necessary

resources for the operation (Bari, Muturi & Samantar, 2019).

Cash management is usually employed in planning, monitoring and controlling cash inflows, cash outflows and the firm's cash position aimed at optimizing its liquidity; it is a tool used in discerning the firm's expected cash receipts and disbursements, choosing an optimal source of alternative financing and maximizing expected returns from investing idle cash. Amahalu and Ezechukwu (2017) submitted that the first function of cash management is to secure the short term normal business activities, manage resources and enhance liquidity of the firm. The essential objective of this practice, according to Amahalu and Ezechukwu (2017), is to reduce the percentage of liquid assets held by companies in order to fulfill their ongoing activities on one hand, and on the another hand, to achieve a sufficient level of cash holdings to empower the company to obtain trade discounts to achieve acceptable credit rating and to meet unexpected cash requirements. Cash management include maintaining adequate control over cash position, keeping the firm sufficiently liquid and to ensuring usage of excess cash in profitable ways. Cash management refers to the administration of an entity's cash to ensure sufficient cash to sustain the entity's daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings (Nwarogu & Iormbagah, 2017).

2.1.4. Accounts Receivable Management

Account receivables are assets representing amounts owed to the firm as a result of the sale of goods or services in the ordinary course of business (Ahmed, Awan, Safdar, Hasnain & Kamran, 2016). Accounts receivables period is the average time taken by credit customers to settle their accounts. It was observed that credit customers who pay late or do not pay at all only aggravate the problem. Thus, it is important for the financial manager or account receivables manager to establish a good policy that controls the advantages of offering credit with the associated costs (Jacob & Siaw, 2019). The firm should establish its receivables policies after carefully considering both the benefits and costs of different policies. Debtors' turnover in days is a financial metric that evaluates the mean length of time, in days, that debtors are outstanding (Arunkumar & Ramanan, 2013). Accounts receivable, which is also known as trade debtors, are credit customers that are yet to meet up with the payment condition for inventories or services rendered. Famil and Ali (2016) observed that the objective of managing accounts receivable is to reduce to minimal level the time it will take between sales of goods and

services and the collection of cash. Ikpefan and Owolabi (2014) reveals that the profitability of firms can be increased through the reduction of the debtors' collection period.

However, the firms should decide its level of accounts receivable so that the benefits are more than the expenses (Adesina & Olatise, 2020). The cost invested in the receivables means the interest which would have been benefitted, could be saved and used in the business operation. The firm also forgoes the earnings at interest when it holds idle cash balances rather putting the money into use. The cost of holding inventory includes opportunity cost of capital, storage and insurance cost as well as the risk of spoilage or inventories become out of date (Nzewi, 2015).

Receivables represent delay in the inflow of cash, which must be financed by the firm. Account receivable management includes selecting the good credit customers and speeding up the collections from the customers. Companies have to know that holding account receivables occurs in the opportunity cost; meanwhile the fund is tied up in account receivable than benefitting by investing elsewhere (Baafi, Duodu, Effah & Boachie, 2020). The third longest and most important item of asset in a firm is the account receivable; beside the capital investment in plant and machinery. If firms tie up too much fund in account receivables due to too generous trade credit policy, this does increase the high opportunity cost to the firm. Moreover, possibilities of bad debt from risk customers occur costlier to firms, although the generous credit policy could increase the sales.

2.1.5. Financial Performance

Financial performance refers to the extent to which a firm increases its effectiveness and efficiency in transforming the usage of its assets into profits. According to Nzewi (2015), maximization of shareholders' wealth, of which profit maximization is one aspect, is the ultimate goal of organizations such that all the policies designed and activities performed are meant to realize this grand objective. However, this does not mean that companies have no other goals. Financial performance measures the extent of profitability of a firm. Profit is the excess of revenue generated over the cost in the production process within a definite period (Karim, Kamruzzaman & Kamruzzaman, 2018). It means the excess of revenue over net operating expenses (Nworie & Ofoje, 2022).

In line with the submission of Omari (2020), financial performance means a firm's ability to generate a satisfactory return on invested capital through which shareholders are happy and prospective investors are motivated to invest. Relatedly, shareholders are always interested in the ability of the company to use

their limited assets efficiently and effectively to produce the desired profits. Return is judged by assessing earnings relative to the level and sources of financing in that a profit is not made when the operating expenses are not yet covered (Kajola, Sanyaolu, Alao & Ojunrongbe, 2020).

Financial performance evaluates the effectiveness and efficiency with which equipment, plant, and current assets are transformed into profits (Nworie & Mba, 2022). Financial performance could be determined through Gross Profit Margin, Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NMP) and Profit after Tax (PAT) (Wuave, Yua & Mkuma, 2020). The measure of financial performance in this study is Earnings Per Share. Earnings Per Share refers to the portion of a company's profit that is allocated to each outstanding share of common stock. It is a measure of company's per share performance

2.2. Theoretical Framework

This study is anchored on the trade-off theory as developed by Myers in 1984. 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, because the capital market is assumed to be fully informed about the prospects of the firm. The trade-off theory explains that firms target an optimal level of liquidity to balance the benefit and cost of holding cash which includes delay in payment to suppliers on one hand and allows company of discounts for prompt or early payment on other hand. These benefits save transaction costs to raise funds and do not need to liquidate assets to make payments and the firm can use liquid assets to finance its activities and investment if other sources of funding are not available or are extremely expensive (Idris & Yahaya, 2018).

Considering account receivables, it is argued that a flexible trade credit policy with an interest on receivables may increase sales (Deloof & Jegers, 1996) and thereby increasing profit levels. As theory, the use of trade off model cannot be ignored, as it explains that, firms with high management of inventory should hold an economic order quantity of inventory that balances the trade-off between liquidity and profitability. This will attract high cost of managing the working capital items and it covers different cost such as transport, storage, insurance and damage thereby affecting its financial performance. But maintaining a low level of inventory may lead to loss of sales and stock-out (Deloof, 2003), thereby having an impact on performance of Nigerian manufacturing companies.

The relevance of this theory can be ascertained by relating the risk and return trade-off to WCM policies. For instance, an aggressive policy of working capital leads to the highest profitability but the least liquidity with its associated risk of insolvency that is usually high (Weinraub & Visscher, 1998). The conservative or liberal policy on the other hand guarantees higher liquidity for the firm but with lower returns (profitability) and associated lower risk.

Ani (2012) observed that the major aim of a business entity is increasing the shareholders' wealth to the highest level and this wealth maximization can be attained through maximizing the entity's return for the accounting period. One of the postulations of the theory stressed that this objective can only be achieved by adequate maintenance of the liquidity components (current assets and current liabilities) and at the same time keeping abreast of the risk and return trade-off. Thus, this underscores the relevance of the theory to the present study.

2.3. Empirical Review

Nworie and Ofoje (2022) examined the effect of inventory conversion period, account receivable period and current ratio on the return on asset using a sample size of six (6) food and beverages firms from 2012 to 2021. The random effect model applied showed that inventory conversion period has a significant negative effect on return on asset but current ratio and account receivable period has no significant positive effect on the return on asset of listed food and beverages firms in Nigeria.

Baafi, Duodu, Effah and Boachie (2020) examined the effect of current ratio, quick ratio and cash ratio on the return as assets, return on equity and return on capital employed of firms in Ghana. Data extracted from the audited and published annual reports of twenty-one (21) firms for the period 2008 to 2019 was analysed using ANCOVA which revealed that liquidity positively affects return on assets but does not affect return on equity.

Kaodui, Musah, Mensah and Coffie (2020) determined the nexus between liquidity and firm viability using a sample of 15 quoted non-financial companies in Ghana for the period 2008 to 2017. The random effects generalized least squares regression showed that liquidity has significant adverse effect on Return on Equity.

Omari (2020) examined the effect of liquidity on the profitability of pharmaceutical sector of Jordan using data from 2005-2018 and simple linear regression test. It was concluded that current ratio negatively affects the ROA of firms.

Kajola, Sanyaolu, Alao and Ojunrongbe (2020) examined the effect of current ratio on return on assets of ten deposit money banks in Nigeria between 2008 and 2017. The result of the random effect model showed that current ratio positively affects return on asset.

Wuave, Yua and Mkuma (2020) examined the effect of cash reserve ratio and liquidity ratio on the ROA, ROE and return on net interest margin of banks in Nigeria for the period 2010 to 2018. The result of the panel regression analysis found that liquidity ratio has positive and significant effect on the return on assets, return on equity and net interest margin.

Adesina and Olatise (2020) examined the impact of the liquidity management on the performance of the 10 (ten) manufacturing firms selected for the period of five years 2012-2016. The regression analysis showed that current ratio has a negative and significant effect on ROA while quick and cash ratios have positive but insignificant relationship with ROA.

Yameen, Najib and Tabash (2019) investigated the effect of liquidity on the return on assets of listed pharmaceutical companies in Bombay Stock Exchange. The analysis was done using a balanced panel data of 82 pharmaceutical companies for the period of 10 years from 2008 to 2017 and the fixed effect model showed that current liquidity ratio and quick ratio have a positive and significant impact on return on assets.

Jacob and Siaw (2019) while examining how liquidity management affects the gross operating profit of listed manufacturing firms in Ghana. The study used secondary data collected from seven (7) manufacturing firms. The regression results revealed that account receivables period and inventory conversion period days negatively affect gross operating profit while account payables period does not affect gross operating profit. The study also found out that current ratio significantly affects gross operating profit.

Yusoff (2017) examined the effect of quick ratio and current ratio on the profitability of consumer product sector in Malaysia, using 116 firms in consumer product sector for the period of three years (2012 – 2015). The correlation analysis showed that quick ratio positively affects profitability while current ratio has negative but insignificant effect on profitability.

Ahmad (2016) examined how liquidity affects banks profitability in Amman exchange using 15 banks for the period of 2012-2014. The result of the simple regression showed that liquidity negatively affects profitability.

Kyule (2015) examined how liquidity affects the return on assets of listed firms in Kenya using data from 2009 to 2013. The regression analysis showed that liquidity positively but insignificantly affects firm ROA.

Umobong (2015) assessed the influence of current ratio on the profit growth of pharmaceutical firms in Nigeria using Fixed Effect Model to analyse data collected from the financial statements of the companies from 2011 to 2013. It was shown that current ratio contributes significantly to the profit growth of the firms.

Khidmat and Rehman (2014) determined the effect of liquidity on profitability chemical sector of Pakistan, using 10 firms from 2001-2009. The regression analysis showed that liquidity positively affects Return on Assets.

3. Methodology

The study deployed causal-comparative research design in order to examine the statistical association between current assets components and financial performance of listed consumer goods firms in Nigeria. The reason for choosing this research design is because the design provides a systematic and empirical solution to research problems, by using data which are already in existence to examine the relationship between variables of study. The target population of the study is made up of all the twenty-one (21) listed companies that are under the consumer goods sector of the Nigerian Exchange Group. The study used purposive sampling technique to determine the consumer goods firms that made up the sample participants of the study. The criteria for inclusion in the sample participants were that each of the firms must have (a) been listed on the NSE for a minimum of 10 years from 2011 to 2020; (b) filed its published financial statements with NSE for the period of interest specified above, 2011 to 2020. The companies that met the criteria above were twelve (12) in number; they are:

1. Cadbury Nigeria Plc.
2. Champion Brewery Nig. Plc.
3. Dangote Sugar Refinery Plc.
4. Guinness Nig. Plc
5. Honeywell Flour Mill Plc.
6. Northern Nig. Flour Mills Plc
7. Nascon Allied Industries Plc.
8. Nestle Nigeria Plc
9. 90. Nigerian Breweries Plc
10. PZ Cussons Nigeria Plc.
11. Unilever Nigeria Plc.
12. Vitafoam Nigeria Plc.

The study employed secondary data that were extracted from audited financial statements and

annual reports of individual consumer goods firms over the 10-year period, 2011 to 2020. The data that were collected were descriptively analysed with the aid of mean and standard deviation. On the other

hand, the hypotheses formulated were tested using Pearson product moment correlation coefficient at 5% level of significance. The test statistics was computed with the use of Stata Version 14.

Current assets, which is represented by Debtor Turnover Ratio (DTR), Cash Ratio (CTR) and Inventory Turnover Ratio (ITR), is the independent variable while financial performance which is measured by Earnings Per Share is the dependent variable. The functional equation that depicts the relationship between current assets and financial performance is given below:

$$EPS = f(DTR + CR + ITR) \dots \dots \dots \text{eqn (i)}$$

The above equation is transformed to a multiple econometric model as follows:

$$EPS_{it} = a_0 + b_1DTR_{it} + b_2CR_{it} + b_3ITR_{it} + e_{it} \dots \dots \dots \text{eqn (2)}$$

Where,

- EPS_{it} = Earnings Per Share for firm i in period t.
- DTR_{it} = Debtor Turnover Ratio for firm i in period t
- CR_{it} = Cash Ratio for firm i in period t
- ITR_{it} = Inventory Turnover Ratio for firm i in period t
- e_{it} = error term for firm i in period t.
- a₀ = constant.
- b₁₋₃ = coefficients of the predictors

Earnings Per Share is the proxy for the dependent variable in this study. It is calculated using the formula:

$$EPS = \frac{\text{Earnings After Tax}}{\text{Outstanding Number of Shares}}$$

Current Asset is the independent variable which is represented by Debtor Turnover Ratio, Cash Ratio and Inventory Turnover Ratio. The measurement of the variables is shown below.

- A. Debtor Turnover Ratio = $\frac{\text{Net Sales}}{\text{Accounts Receivable}}$
- B. Cash Ratio = $\frac{\text{Cash and cash equivalents}}{\text{Total Current Liability}}$
- C. Inventory Turnover Ratio = $\frac{\text{Cost of Sales}}{\text{Inventory}}$

4. Results and Discussions

4.1. Descriptive Analysis of Research Variables

Current assets, which is represented by Debtor Turnover Ratio (DTR), Cash Ratio (CTR) and Inventory Turnover Ratio (ITR), is the independent variable while firm performance which is measured by Earnings Per Share (EPS) is the dependent variable. The data that were collected were descriptively analysed with the aid of mean and standard deviation. Table 1 below gives the output of the descriptive analysis.

Table 1: Descriptive Analysis of the Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
EPS	120	4.022458	10.46361	-5.74	58
DTR	120	25.25699	35.01102	.0490156	197.9182
CR	120	.3075243	.3347778	.0026261	1.570936
ITR	120	5.658069	4.116312	.7077455	28.86715

Analysis Output (2022) Using Stata Version 14.

Table 1 above shows the descriptive statistical analysis of the variables of the study. According to the results, EPS has a mean of 4.02 with a standard deviation of 10.46. The minimum and maximum values of EPS are -5.74 and 58, respectively. DTR averaged 25.26 with a standard deviation of 35.01. The minimum and maximum values of DTR are 0.049 and 197.918, respectively. Furthermore, CR has an average value of 0.308 with a standard deviation of 0.33. The minimum and maximum values of CR are 0.002 and 1.571, respectively. Finally, the average value of ITR is 5.658 with a standard deviation of 4.116. The minimum and maximum values of ITR are 0.7077 and 28.867. The data on Earnings Per Share, DTR and ITR are not normally distributed since the deviations from the mean are relatively large.

4.2. Correlational Analysis

Pearson Correlation was deployed in the study. **Table 2** below shows the result.

Table 2 Correlational Result

	DTR	CR	ITR	EPS
DTR	1.0000			
CR	-0.0445	1.0000		
ITR	0.1266	0.2774	1.0000	
EPS	0.1285	-0.1187	0.0076	1.0000

Source: Analysis Output (2022) Using Stata 14.

The correlational test above in **Table 2** reveals that the degree of relationship between DTR and EPS is 0.1265 which is weak and positive. The extent of relationship between CR and EPS is -0.1187, which is negative and weak. Finally, the extent of relationship between ITR and EPS is 0.0076 which is very weak and positive.

4.3. Testing of Hypotheses

The hypotheses formulated were tested using Ordinary Least Square regression technique at 5% level of significance. The test statistics was computed with the use of Stata Version 14. The pooled interaction based multiple regression results obtained is presented in Table 3.

Table 3 Regression Result for Test of Hypotheses

Source	SS	df	MS	Number of obs= 120	
Model	389.649923	3	129.883308	F(3, 116)	= 1.19
Residual	12639.3137	116	108.959601	Prob > F	= 0.3160
Total	13028.9636	119	109.487089	R-squared	= 0.0299
				Adj R-squared	= 0.0048
				Root MSE	= 10.438

EPS	Coef.	Std. Err.	t	P> t	Beta
DTR	.035826	.0276493	1.30	0.198	.119873
CR	-3.767016	2.98549	-1.26	0.210	-.1205238
ITR	.0656823	.2445346	0.27	0.789	.025839
_cons	3.904416	1.804073	2.16	0.032	.

Analysis Output (2022) Using Stata 14.

Table 3 above shows the result of the regression analysis that determines the nexus between current assets and firm performance of listed consumer goods firms in Nigeria. The coefficient of determination explains the percentage of changes in Earnings Per Share that can be attributed to systematic variations in the current assets of the firm. Of note, the result shows that $R^2 = 0.0299$ which implies that 2.99% systematic variation in EPS can be explained by changes in the predictor variables, namely DTR, CR and ITR.

Furthermore, the result shows that the model is not fit enough and therefore does not significantly predict Earnings Per Share at 5% level of significance since the F-statistic is 1.19 with a corresponding p -value of 0.3160. Therefore, the joint interaction between Debtor Turnover Ratio (DTR), Cash Ratio (CR), and Inventory Turnover Ratio (ITR) do not significantly relate to Earnings Per Share.

4.3.1. Test of Hypothesis I

H_{01} : There is no significant relationship between debtor turnover ratio and the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group.

The result of test of null hypotheses revealed that the coefficient of Debtor Turnover Ratio (DTR) is 0.1199. This shows that an increase in DTR by 1 unit will lead to an increase in EPS by 0.1199. This

positive relationship was revealed to be statistically insignificant at 5% level of significance since the p -value of the test is greater than 0.05 ($t = 1.30$, p -value = 0.198). Therefore, the alternate hypothesis is rejected while null hypothesis is accepted that there is no significant relationship between debtor turnover ratio and the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group ($\beta = 0.1199$, p -value > 0.05).

4.3.2. Test of Hypothesis II

H₀₂: Cash ratio has no significant relationship with the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group.

The result of test of null hypotheses revealed that the coefficient of Cash Ratio (CR) is -0.1205. This shows that an increase in CR by 1 unit will lead to a decrease in EPS by 0.1205. This negative relationship between cash ratio and earnings per share was revealed to be statistically insignificant at 5% level of significance since the *p*-value of the test is greater than 0.05 (*t* = -1.26, *p*-value = 0.210). Therefore, the alternate hypothesis is rejected while null hypothesis is accepted that cash ratio has no significant relationship with the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group ($\beta = -0.1205$, *p*-value > 0.05).

4.3.3. Test of Hypothesis III

H₀₃: Inventory turnover ratio does not significantly relate to the Earnings Per Share of listed consumer goods firms on the Nigerian Exchange Group.

The result of test of null hypotheses revealed that the coefficient of Inventory Turnover Ratio (ITR) is 0.0258. This shows that an increase in ITR by 1 unit will lead to an increase in EPS by 0.0258. This positive relationship between inventory turnover ratio and earnings per share was revealed to be statistically insignificant at 5% level of significance since the *p*-value of the test is greater than 0.05 (*t* = 0.27, *p*-value = 0.789). Therefore, the alternate hypothesis is rejected while null hypothesis is accepted that inventory turnover ratio does not significantly relate to the Earnings Per Share of listed consumer goods firms on the Nigerian Stock ($\beta = 0.0258$, *p*-value > 0.05).

4.4. Discussion of Findings

It was indicated that debtor turnover ratio positively but insignificantly relates to the earnings per share of listed consumer goods firms since an increase in DTR by 1 unit will lead to an insignificant increase in EPS by 0.1199. More so, the study showed that increasing cash ratio by 1 unit will lead to an insignificant decrease in EPS by 0.1205. Finally, the result indicated that a marginal increase in inventory turnover ratio will lead to an insignificant increase in EPS by 0.0258. The findings of the study conform to those conducted by Kaodui, Musah, Mensah and Coffie (2020); Kajola, Sanyaolu, Alao and Ojunrongbe (2020); Kyule (2015); Duru, Ekwe and Eje (2014). However, the findings of the present study are inconsistent with the studies conducted by Omari (2020); Wuave, Yua and Mkuma (2020); Yameen, Najib and Tabash (2019) which established

that current assets have a significant relationship with the financial performance of firms.

5. Conclusion and Recommendations

Current assets play a vital role in the success of businesses because of its effect on profitability. The previous discussions on the nitty-gritty of managing current assets underpin the need of consumer goods firms to have a proper current assets base to absorb shock predicted on the volatility of the economy, maintain adequate working capital and increase the profit level. Only then can a proper functioning of business operations will be ensured. Sound economic and statistical methods supported by informed judgment, should be used to forecast the quantum of current assets needed at the different level of operation. The components of current assets management are the most crucial element needed for maintaining liquidity, survival, solvency and profitability of business.

The results of the findings show that inventory turnover ratio, cash ratio and inventory turnover ratio have no statistically significant relationship with the financial performance of listed consumer goods firms in Nigeria. However, cash ratio was shown to negatively but insignificantly related with financial performance. The study recommends that:

1. Managers of consumer goods firms should reduce to minimal level the time it takes them between sales of goods and services and the collection of cash since the performance of firms can be increased through an increment in frequency of debt collection.
2. Consumer goods firms should try prolonging the time of payment as long as possible as they can use the advantage of their suppliers financing their investments until payment has been made.
3. Financial managers of consumer goods firms should keep at all times the optimal level of inventory while having in mind the increases or decreases in demands for products, production requirements and scarcity of resources.

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