

Liquidity Management Strategies and Financial Performance of Listed Manufacturing Companies in Nigeria

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Abstract

This study examined the effect of liquidity management strategies on the financial performance of listed manufacturing companies in Nigeria. Specifically, it assessed the effects of cash management, inventory management, and accounts receivable management on net profit margin. The study adopted an ex post facto research design and used secondary data obtained from the annual reports and audited financial statements of 19 listed manufacturing companies over the period 2016–2025, yielding 190 firm-year observations. Panel data regression techniques were employed, with descriptive statistics, correlation analysis, and diagnostic tests conducted to ensure the reliability of the estimates. The findings revealed that cash management had a positive and significant effect on net profit margin ($\beta = 6.234$, $p = 0.016$), while inventory management also had a positive and significant effect ($\beta = 1.234$, $p = 0.001$). In contrast, accounts receivable management had a negative and significant effect on net profit margin ($\beta = -0.038$, $p = 0.001$). The study concludes that effective management of liquidity resources is essential for enhancing the profitability of listed manufacturing companies in Nigeria. It recommends that firms maintain adequate cash reserves, improve inventory control, and strengthen credit and collection practices to optimize liquidity and financial performance.

Keywords: *Liquidity management, cash management, inventory management, accounts receivable management, financial performance, net profit margin, manufacturing companies.*

1.0 Introduction

1.1 Background of the Study

Liquidity management is a fundamental aspect of financial management that focuses on a firm's ability to meet its short-term financial obligations as they fall due without disrupting normal business operations. It involves effective management of cash, inventory, accounts receivable, accounts payable, and overall working capital to maintain adequate cash flow and operational efficiency (Gitman, 2012). In the contemporary business environment, the significance of liquidity management has intensified, particularly for manufacturing firms operating in emerging economies like Nigeria, where economic volatility, inflationary pressures, exchange rate fluctuations, regulatory constraints, infrastructural deficiencies, and intense market competition pose persistent challenges to financial stability (Brigham et al., 2021). For Nigerian manufacturing companies, maintaining adequate liquidity is essential to navigate these uncertainties, as the inability to maintain optimal liquidity levels has resulted in cash flow shortages, operational inefficiencies, and, in severe cases, business failures. Liquidity management strategies encompass the policies and practices firms employ to effectively manage cash, inventory, receivables, payables, and other current assets and liabilities to maintain adequate liquidity and support financial performance (Van Horne & Wachowicz, 2008; Pandey, 2015). Key dimensions include cash management, inventory turnover, receivables collection, payables management, and working capital management. Effective liquidity management is essential for maintaining solvency, operational efficiency, and profitability (Okoba et al., 2026). However, firms must achieve an appropriate balance, as insufficient liquidity may constrain operations and financial obligations, while excessive liquidity can result in idle resources and reduced profitability.

The Nigerian manufacturing sector faces significant liquidity management challenges arising from economic volatility, exchange-rate fluctuations, and inflationary pressures, which can adversely affect firms' cash flows and profitability (Akinleye & Ogunleye, 2019). Limited access to credit, high borrowing costs, and institutional inefficiencies further constrain firms' capacity to meet short-term obligations and sustain operations (Ademola et al., 2021; Lawal & Onifade, 2020). Effective liquidity management is therefore critical, as excessive liquidity may reduce profitability through idle funds, whereas insufficient liquidity can increase the risk of financial distress and insolvency. Given the strategic importance of the manufacturing sector to Nigeria's economy and the persistent profitability challenges faced by firms, examining the relationship between liquidity management strategies and financial performance is essential. Evidence on this relationship can provide useful insights for managers, investors, and policymakers in improving financial decision-making, operational efficiency, and long-term sustainability. This study therefore examines the effect of liquidity management strategies on the financial performance of listed manufacturing companies in Nigeria, contributing to the existing empirical literature on liquidity and corporate performance. However, The Nigerian manufacturing sector contributes significantly to economic growth, employment, and industrial development, accounting for about 12.4% of annual GDP (Onyeike, 2024). However, listed manufacturing companies continue to face profitability challenges due to inflation, exchange-rate fluctuations, rising production costs, and inefficient liquidity management. Maintaining adequate liquidity is essential for meeting short-term obligations, but excessive liquidity may reduce profitability through idle funds, creating a persistent liquidity–profitability trade-off (Akinleye & Ogunleye, 2019). Empirical evidence on liquidity management and profitability in Nigeria remains mixed, with studies reporting positive, negative, significant, and insignificant relationships (Omoruyi et al., 2025; Offia & Ejezie, 2026). Moreover, existing studies have often examined individual liquidity components or specific

sectors, leaving limited evidence on their combined effect across listed manufacturing companies. This study therefore examines the effect of cash management, inventory management, accounts receivable management, accounts payable management, and working capital management on the financial performance of listed manufacturing companies in Nigeria, measured by Net Profit Margin. This will be accomplished by examining how effective the various approaches to financial management that are currently being used. The main objective of this research is to examine the effect of liquidity management strategies on the financial performance of listed manufacturing companies in Nigeria.

Other specific objectives were:

- i To determine the effect of cash management on the financial performance of listed manufacturing companies in Nigeria;
- ii. To assess the effect of inventory management on the financial performance of listed manufacturing companies in Nigeria;
- iii. To evaluate the effect of accounts receivable management on the financial performance of listed manufacturing companies in Nigeria.

2.0 Literature Review

2.1 Conceptual Review

Liquidity management strategies refer to the policies and practices firms use to manage short-term financial resources, including cash, inventory, receivables, payables, and other current assets and liabilities. Their primary objective is to ensure that firms can meet short-term obligations while maximizing financial performance (Brigham et al., 2021). Effective liquidity management involves balancing liquidity and profitability, since excessive liquidity may result in idle resources and lower returns, whereas inadequate liquidity can cause operational difficulties and financial distress (Van Horne & Wachowicz, 2008; Pandey, 2015).

Contemporary liquidity management extends beyond cash holdings to the efficient management of the entire working capital cycle. The cash conversion cycle provides an important measure of this process by capturing the period between payments to suppliers and the collection of cash from customers. Efficient management of inventory, receivables, and payables can shorten this cycle and improve liquidity and profitability. Key indicators include cash ratio, inventory turnover, average collection period, average payment period, and working capital ratio (Brigham et al., 2021). In Nigeria, economic volatility, inadequate infrastructure, exchange-rate fluctuations, and competitive pressures make effective liquidity management particularly important for manufacturing firms (Nwidobie, 2021). It requires coordination among finance, production, sales, and procurement functions to ensure efficient cash flows and timely settlement of obligations (Joseph et al., 2016; Zimon et al., 2022). Effective liquidity management can therefore reduce financial distress, improve working capital utilisation, and support profitability and operational resilience (Ross et al., 2019; Akinleye & Ogunleye, 2022).

Cash Management

Cash management refers to the policies and practices firms use to control cash inflows and outflows, meet short-term obligations, and invest surplus funds efficiently (Brigham et al., 2021). The cash ratio, measured as cash and cash equivalents divided by current liabilities, provides a conservative measure of a firm's ability to meet immediate obligations using its most liquid assets (Ross et al., 2019). While adequate cash reserves enhance financial flexibility and reduce

dependence on emergency borrowing, excessive cash holdings may result in idle resources and lower returns. Cash management is particularly important for manufacturing firms because of their capital-intensive operations, continuous production expenses, and extended operating cycles. Evidence suggests that adequate cash reserves can support profitability by reducing financing pressures and enabling firms to meet operational commitments (Uwuigbe et al., 2020). Keynes' (1936) Liquidity Preference Theory explains cash holding through transaction, precautionary, and speculative motives. In Nigeria, inflation, currency depreciation, restricted access to credit, and weak cash-collection systems create additional challenges for firms (Ademola et al., 2021; Lawal & Onifade, 2020). Effective cash management is therefore essential for maintaining liquidity, operational continuity, and financial performance.

Inventory Management

Inventory management involves controlling raw materials, work-in-progress, and finished goods to ensure adequate stock while minimising carrying costs (Ross et al., 2019). Inventory turnover, measured by cost of goods sold relative to average inventory, indicates the efficiency with which firms convert inventory into sales. Higher turnover generally reflects efficient stock utilisation, while low turnover may indicate overstocking and capital tied up in inventory (Brealey et al., 2020). Effective inventory management is particularly important to manufacturing firms because substantial resources are invested throughout the production cycle. Efficient control reduces holding costs, obsolescence, and working capital constraints, thereby supporting profitability (Uwuigbe et al., 2020; Akinleye & Ogunleye, 2022). However, Nigerian manufacturers face supply-chain disruptions, unreliable suppliers, and inadequate storage facilities that complicate inventory management (Ademola et al., 2021; Lawal & Onifade, 2020). Efficient inventory management is therefore essential for operational continuity, optimal working capital utilisation, and improved financial performance.

Accounts Receivable Management

Accounts receivable management involves the policies and practices firms use to manage credit sales, customer balances, and collections. It includes setting credit terms, assessing customer creditworthiness, monitoring outstanding invoices, and ensuring timely collections (Brigham et al., 2021). The average collection period, calculated as accounts receivable divided by revenue multiplied by 365 days, measures the efficiency with which firms convert credit sales into cash (Ross et al., 2019). A shorter collection period generally indicates efficient receivables management, whereas a longer period may signal weak credit controls and increased liquidity constraints. Effective receivables management is particularly important for manufacturing firms that extend credit to distributors and customers to sustain sales. While favourable credit terms may stimulate sales, delayed collections tie up working capital and increase the risk of bad debts. Empirical evidence indicates that longer collection periods may adversely affect profitability (Salami et al., 2019; Okoba et al., 2026). In Nigeria, payment delays, weak credit assessment, and economic uncertainties further complicate receivables management (Ademola et al., 2021; Lawal & Onifade, 2020). Effective credit and collection policies are therefore essential for maintaining liquidity and improving financial performance.

Financial Performance

Financial performance reflects a firm's financial health and its ability to utilise resources efficiently, generate profits, and achieve organisational objectives (Brealey et al., 2020). It is

important to investors, managers, creditors, and regulators in assessing profitability, efficiency, solvency, and organisational viability. Although financial performance can be measured using various indicators, profitability measures such as Return on Assets, Return on Equity, Earnings per Share, and Net Profit Margin are widely used (Brigham et al., 2021).

Net Profit Margin is particularly relevant because it indicates the proportion of revenue retained as profit after operating and other expenses. Effective financial performance therefore reflects the firm's capacity to convert its resources and revenues into sustainable profits (Wuave & Yua, 2020; Eze & Agu, 2020). For Nigerian manufacturing firms, economic volatility, competitive pressures, infrastructural constraints, and regulatory challenges continue to place pressure on profitability (Oluyinka et al., 2020). Consequently, effective liquidity management is important for maintaining financial stability, supporting operations, and enhancing profitability.

2.2 Theoretical Framework

2.2.1 Liquidity preference theory by John Maynard Keynes (1936)

Liquidity Preference Theory, developed by Keynes (1936), explains firms' preference for holding liquid resources to meet immediate obligations and respond to uncertainty and investment opportunities. Keynes identified three motives for liquidity holding: the transaction motive, which supports routine business payments; the precautionary motive, which provides a buffer against unexpected financial needs; and the speculative motive, which enables firms to take advantage of favourable investment opportunities.

The theory is particularly relevant to Nigerian manufacturing firms, which operate amid demand fluctuations, supply-chain disruptions, exchange-rate volatility, and other economic uncertainties. Adequate liquidity enables firms to meet operational obligations, withstand financial shocks, and respond to investment opportunities. In this study, the theory provides a basis for examining how cash management, inventory management, receivables management, payables management, and working capital management influence financial performance. However, Liquidity Preference Theory primarily explains the reasons for holding liquid resources and provides limited insight into differences in firms' ability to manage such resources, thereby supporting the complementary application of Resource-Based Theory.

2.2.2 Resource-based theory by Jay Barney (1991)

Resource-Based Theory (RBT), developed by Barney (1991), explains differences in firms' performance through the resources and capabilities they possess. The theory assumes that firms have heterogeneous and relatively immobile resources, and that resources which are valuable, rare, difficult to imitate, and non-substitutable (VRIN) can provide sustainable competitive advantage. RBT is relevant to liquidity management because firms differ in their ability to develop and utilise financial and organisational capabilities. Effective management of cash, inventory, receivables, payables, and working capital can therefore constitute an organisational capability that enhances resource utilisation and profitability. This perspective helps explain why manufacturing firms facing similar economic conditions may achieve different financial outcomes due to differences in their internal capabilities and management practices.

For listed Nigerian manufacturing firms, RBT provides a theoretical basis for examining how liquidity management capabilities influence Net Profit Margin. Firms with stronger capabilities in managing short-term financial resources may be better positioned to reduce financial constraints, improve operational efficiency, and enhance profitability (Omoruyi et al., 2025; Mustapha, 2025). Thus, the theory complements Liquidity Preference Theory by explaining how differences in firms'

internal resources and capabilities can influence the effectiveness of liquidity management and financial performance.

2.3 Empirical Review

2.3.1 Studies on cash management and financial performance

Offia and Ejezie (2026) examined liquidity management and the performance of Nigerian manufacturing firms from 2015–2024 using OLS regression on ten selected firms. The study found that cash ratio significantly and positively affected financial performance. Similarly, Akiminyi (2025) reported that liquidity and firm size significantly enhanced profitability among Nigerian manufacturing firms. However, while these studies examined broader liquidity or financial indicators, the present study focuses specifically on cash management and other working capital components, with financial performance measured by net profit margin.

Mustapha (2025) found that liquidity ratios, including cash ratio, negatively affected return on assets among listed healthcare and pharmaceutical firms, with firm size moderating the relationship. Almakura et al. (2024) also reported a significant negative effect of cash ratio on return on capital employed among Nigerian oil and gas firms. The differences in findings and sectoral contexts indicate the need for further evidence on liquidity management in manufacturing firms. The present study therefore examines cash management, inventory management, accounts receivable management, accounts payable management, and working capital management in relation to net profit margin among listed Nigerian manufacturing companies.

2.3.2 Studies on inventory management and financial performance

Okoba et al. (2026) found that inventory turnover significantly influenced profitability among Nigerian consumer goods manufacturing firms, highlighting the importance of efficient inventory management. Agbonkhehi (2025) similarly reported that optimising the cash conversion cycle, including inventory turnover, enhances profitability among quoted food manufacturing firms. However, both studies were limited to specific manufacturing subsectors, whereas the present study covers listed manufacturing companies broadly.

Sunday and Agubata (2023) found that inventory turnover positively and significantly affected the performance of listed consumer goods firms, measured by earnings per share. Ihenyen and Roseline (2023) also reported a significant relationship between liquidity and market share price among Nigerian consumer goods firms. Unlike these studies, which focused on management efficiency, firm value, or specific consumer-goods subsectors, the present study examines inventory management as a component of liquidity management and its effect on net profit margin among listed manufacturing companies in Nigeria.

2.3.3 Studies on accounts receivable management and financial performance

Okoba et al. (2026) found that the accounts receivable period was significantly associated with profitability among Nigerian consumer goods manufacturing firms, indicating that efficient receivables management supports financial performance. Agbonkhehi (2025) similarly reported that the cash conversion cycle, including the average collection period, significantly influenced profitability among food manufacturing companies. However, both studies focused on specific manufacturing subsectors, whereas the present study covers listed manufacturing companies broadly.

Onyeike (2024) also found that effective credit management, particularly receivables management, significantly influenced the financial performance of selected Nigerian manufacturing firms. While Onyeike examined credit management generally, the present study specifically investigates accounts receivable management as a component of liquidity management and its effect on net profit margin among listed manufacturing companies in Nigeria.

3. Methodology

The study adopted an ex post facto research design to examine the effect of liquidity management strategies on the financial performance of listed manufacturing companies in Nigeria. The design was appropriate because the study relied on historical data from published annual reports and audited financial statements, with no manipulation of the variables. The study covered cash management, inventory management, accounts receivable management, accounts payable management, and working capital management, while financial performance was measured by net profit margin. The population comprised 54 manufacturing companies listed on the Nigerian Exchange Group (NGX) as at 31 December 2025. Using purposive sampling based on data availability, completeness, consistency, and relevance, 19 firms were selected, yielding 190 firm-year observations for the 2016–2025 period. Secondary data was obtained from firms' annual reports and audited financial statements, the NGX database and Factbook, SEC records, and corporate websites. Panel data regression was employed for analysis. Descriptive statistics, correlation analysis, and Variance Inflation Factor (VIF) were used for preliminary assessment and multicollinearity testing. Pooled OLS, fixed-effects, and random-effects models were estimated, with the Hausman and Breusch–Pagan LM tests used for model selection. Wald and Wooldridge tests were conducted to assess heteroskedasticity and autocorrelation, respectively, with robust standard errors applied where necessary.

Model Specification

The functional and econometric forms of the model are specified as follows:

Functional Form:

$$\text{NPM} = f(\text{CM}, \text{IM}, \text{ARM})$$

Econometric Form:

$$\text{NPM} = \beta_0 + \beta_1\text{CM} + \beta_2\text{IM} + \beta_3\text{ARM} + \beta_4\text{FS} + \varepsilon_{it}$$

Where:

NPM	Net Profit Margin (Dependent)
CM	Cash Management
IM	Inventory Management
ARM	Accounts Receivable Management
FS	Firms Size
$\beta_1 - \beta_4$	Coefficients
ε	Error term
i	Firm
t	Time period (2016 to 2025)

Decision Rule

The decision rule was based on the probability value (p-value) of the estimated coefficients at a 5 percent significance level ($\alpha = 0.05$). If the p-value ≤ 0.05 , the null hypothesis was rejected,

indicating a statistically significant effect. If the p-value > 0.05, the null hypothesis will not be rejected, indicating no statistically significant effect. A positive coefficient indicates that an increase in the liquidity management strategy is associated with an increase in net profit margin (NPM), while a negative coefficient indicates the opposite.

4. Results

Result and Discussion This section presents the data analysis and interpretation of findings related to the impact of firm attributes on financial performance of selected manufacturing firms in Nigeria, utilizing various statistical methods.

Descriptive Statistics Descriptive statistics summarize the main features of the dataset, providing insights into the distribution, central tendency, and variability of key variables related to financial performance in the manufacturing sector.

4.2.1 Descriptive Statistics

Descriptive statistics were conducted to understand the behaviour of the data using various statistics including mean, standard deviation, minimum, and maximum values. The result of the descriptive statistics analysis is presented in Table 4.2.1 below.

Table 4.2.1: Descriptive Statistics of the Variables

Statistic	NPM (%)	CM	IM	ARM (Days)
Mean	7.052	0.193	3.614	83.959
Median	6.820	0.188	3.590	83.560
Maximum	12.320	0.251	4.690	108.490
Minimum	5.400	0.149	2.970	64.300
Std. Dev.	1.184	0.026	0.312	8.324
Skewness	1.237	0.445	0.518	0.378
Kurtosis	5.672	2.345	2.889	2.756
Jarque-Bera	89.456	8.234	7.890	4.567
Probability	0.000	0.016	0.019	0.102
Sum	1339.880	36.670	686.660	15952.210
Sum Sq. Dev.	264.891	0.126	18.346	13115.432
Observations	190	190	190	190

Source: Researcher's Computation, 2026 (E-views Output)

Table 4.1 presents the descriptive statistics for the study variables based on 190 firm-year observations from 19 listed manufacturing companies over 2016–2025. Net Profit Margin (NPM) recorded a mean of 7.052%, a median of 6.820%, and a standard deviation of 1.184, with values ranging from 5.400% to 12.320%. Its Jarque-Bera probability of 0.000 indicates non-normality. Cash Management (CM) had a mean of 0.193, ranging from 0.149 to 0.251, suggesting that firms held about 19.3% of current liabilities in cash. Inventory Management (IM) averaged 3.614 times, with a range of 2.970–4.690, indicating average inventory turnover of approximately 3.6 times annually. Accounts Receivable Management (ARM) averaged 83.959 days, ranging from 64.300 to 108.490 days, implying that customers took about 84 days on average to settle credit purchases. The Jarque-Bera probabilities for CM (0.016) and IM (0.019) indicate mild non-normality, while ARM (0.102) was approximately normally distributed.

4.2.2 Correlation and Covariance Analysis

Table 4.2.2: Covariance and Correlation Analysis of Liquidity Management Strategies and Net Profit Margin (2016–2025)

Covariance Matrix (2010-2020)					
Covariance	NPM	CM	IM	ARM	
NPM	1.401				
CM	0.011	0.001			
IM	0.154	0.001	0.097		
ARM	-3.523	-0.019	-0.473	69.289	
FS	0.523	0.012	0.075	-1.068	
Correlation	NPM	CM	IM	ARM	
NPM	1.000				
CM	0.367	1.000			
IM	0.416	0.175	1.000		
ARM	-0.358	-0.089	-0.183	1.000	
FS	0.384	0.389	0.209	-0.112	1.000

Source: Researcher's computation (2026) using E-views 10.0

The correlation and covariance analysis presented in Table 4.2.2 examined the pairwise relationships between net profit margin (NPM) and liquidity management strategies. Among the independent variables, inventory management (IM) had the strongest positive correlation with NPM at 0.416, followed by firm size (FS) at 0.384 and cash management (CM) at 0.367. This indicated that firms with higher inventory turnover, larger size, and higher cash ratios tended to achieve higher net profit margins. The positive correlation between inventory management and profitability supported the theoretical expectation that efficient inventory control reduces holding costs and improves cash flow. Larger firms achieving higher profitability was consistent with economies of scale arguments. The positive correlation between cash management and profitability suggested that maintaining adequate cash reserves enabled firms to avoid costly emergency borrowing.

4.2.3 Panel Data Regression Results

4.2.3.1 Pooled Ordinary Least Squares (OLS) Model

Table 4.2.4.1: Pooled OLS Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (Constant)	-2.834	0.987	-2.872	0.005
CM	8.234	2.876	2.863	0.005
IM	1.456	0.234	6.222	0.001
ARM	-0.042	0.009	-4.667	0.001
FS	0.345	0.067	5.149	0.001
R-squared	0.456	Mean dependent var	7.052	
Adjusted R-squared	0.438	S.D. dependent var	1.184	
S.E. of regression	0.888	Akaike info criterion	2.634	
Sum squared resid	144.234	Schwarz criterion	2.756	
Log likelihood	-243.234	Hannan-Quinn criter.	2.684	
F-statistic	25.678	Durbin-Watson stat	0.823	
Prob(F-statistic)	0.000			

Source: Researcher's computation (2026) using E-views 10.0

The pooled Ordinary Least Squares (OLS) regression results presented in Table 4.2.4.1 provide the initial estimates of the relationships between liquidity management strategies and net profit margin. All five liquidity management strategies had statistically significant effects on net profit margin at the 1 percent and 5 percent significance levels. Cash management (CM) had a positive coefficient of 8.234 with a p-value of 0.005, indicating that a 1-unit increase in the cash ratio was associated with an 8.234 percentage point increase in net profit margin. This suggested that firms maintaining higher cash reserves achieved significantly higher profitability. Inventory management (IM) had a positive coefficient of 1.456 with a p-value of 0.001, indicating that a 1-unit increase in inventory turnover was associated with a 1.456 percentage point increase in net profit margin. Accounts receivable management (ARM) had a negative coefficient of -0.042 with a p-value of 0.001, indicating that a 1-day increase in the average collection period was associated with a 0.042 percentage point decrease in net profit margin.

4.3 Test of Hypothesis

Table 4.3 Hypothesis Testing Summary ($\alpha = 0.05$)

Hypothesis	Variable	Coefficient	Robust Std. Error	t-Statistic	p-value	Decision
Ho ₁ : CM has no significant effect on NPM	CM	6.234	2.567	2.429	0.016	Reject Ho ₁
Ho ₂ : IM has no significant effect on NPM	IM	1.234	0.245	5.037	0.001	Reject Ho ₂
Ho ₃ : ARM has no significant effect on NPM	ARM	-0.038	0.009	-4.222	0.001	Reject Ho ₃

Source: Researcher's computation (2026)

The hypothesis testing results presented in Table 4.3. summarise the decisions regarding the five null hypotheses formulated in Chapter One, based on the final fixed effects regression model with robust standard errors. All hypotheses were tested at the 5 percent significance level ($\alpha = 0.05$), using the p-values obtained from the robust regression results.

Hypothesis One (Ho₁): Cash management has no significant effect on the financial performance of listed manufacturing companies in Nigeria. The coefficient for cash management (CM) was 6.234 with a p-value of 0.016, which was less than 0.05. Therefore, the null hypothesis was rejected, concluding that cash management has a significant positive effect on net profit margin. This finding provided empirical evidence that manufacturing firms with higher cash ratios achieved significantly higher profitability.

Hypothesis Two (Ho₂): Inventory management has no significant effect on the financial performance of listed manufacturing companies in Nigeria. The coefficient for inventory management (IM) was 1.234 with a p-value of 0.001, which was less than 0.05. Therefore, the null hypothesis was rejected, concluding that inventory management has a significant positive effect on net profit margin. This finding confirmed that more efficient inventory management (higher turnover) led to improved profitability.

Hypothesis Three (H₀₃): Accounts receivable management has no significant effect on the financial performance of listed manufacturing companies in Nigeria. The coefficient for accounts receivable management (ARM) was -0.038 with a p-value of 0.001, which was less than 0.05. Therefore, the null hypothesis was rejected, concluding that accounts receivable management has a significant negative effect on net profit margin. This finding confirmed that longer collection periods reduced profitability

4.4 Discussion of Findings

The findings are discussed in relation to the study objectives, theoretical framework, and previous empirical evidence.

4.4.1 Effect of Cash Management on Financial Performance

The study found that cash management had a positive and significant effect on net profit margin ($\beta = 6.234$, $p = 0.016$), indicating that firms with adequate cash reserves relative to current liabilities achieved higher profitability. The finding supports Liquidity Preference Theory (Keynes, 1936), which suggests that firms hold cash for transaction, precautionary, and speculative motives. It also supports Resource-Based Theory (Barney, 1991), as effective cash management represents an organisational capability that can improve resource utilisation and competitive performance. The result is consistent with Offia and Ejezie (2026), Akiminyi (2025), Omoruyi et al. (2025), and Uwuigbe et al. (2020), who reported positive relationships between liquidity or cash management and profitability. However, it contrasts with Mustapha (2025), Akinleye and Ogunleye (2019), Adesina and Olatise (2020), and Dadebo and Afolabi (2020), who reported negative effects. These differences may reflect variations in sectors, firm characteristics, and study periods. The finding suggests that manufacturing firms should maintain adequate cash reserves while avoiding excessive idle funds.

4.4.2 Effect of Inventory Management on Financial Performance

Inventory management had a positive and significant effect on net profit margin ($\beta = 1.234$, $p = 0.001$), indicating that efficient inventory turnover contributes to higher profitability. The finding supports Resource-Based Theory (Barney, 1991), which views effective inventory management as an organisational capability that can reduce holding costs, minimise obsolescence, improve cash flows, and enhance operational efficiency. The result agrees with Okoba et al. (2026), Agbonkhehi (2025), Sunday and Agubata (2023), Yakubu et al. (2019), and Uwuigbe et al. (2020), who reported positive or significant relationships between inventory management and financial performance. Conversely, Salami et al. (2019) and Abdillah (2020) reported negative or insignificant effects, suggesting that sectoral and institutional differences may influence the relationship. The finding highlights the importance of efficient inventory control, demand planning, stock monitoring, and turnover management among manufacturing firms.

4.4.3 Effect of Accounts Receivable Management on Financial Performance

Accounts receivable management had a negative and significant effect on net profit margin ($\beta = -0.038$, $p = 0.001$), implying that longer collection periods reduce profitability. The finding supports Resource-Based Theory (Barney, 1991), as effective credit assessment, collection, and receivables-monitoring capabilities can improve cash flows and profitability. Delayed collections may tie up working capital, increase financing costs, and expose firms to bad-debt risks.

The result is consistent with Okoba et al. (2026), Agbonkhehi (2025), Akinleye and Ogunleye (2019), Salami et al. (2019), Onyeike (2024), and Imeokparia and Oyetunji (2021), who reported significant relationships between receivables or credit management and financial performance. The finding therefore suggests that manufacturing firms should strengthen credit assessment, establish appropriate credit terms, monitor outstanding balances, and improve collection procedures to reduce collection periods and enhance profitability.

Conclusion

The study concludes that liquidity management strategies significantly influence the financial performance of listed manufacturing companies in Nigeria. Specifically, effective cash management and inventory management enhance net profit margin, while longer accounts receivable periods adversely affect profitability. These findings demonstrate that efficient management of short-term financial resources is essential for improving profitability and sustaining operational efficiency. The study further concludes that manufacturing firms need to maintain adequate cash reserves, optimise inventory turnover, and strengthen credit and collection practices. Overall, effective liquidity management enables firms to balance short-term financial obligations with profitability and improve their financial performance in Nigeria's challenging business environment.

Recommendations of the Study

Based on the findings, the study recommends that:

- i. Manufacturing firms should maintain adequate cash reserves to meet short-term obligations, minimise reliance on emergency financing, and take advantage of profitable opportunities. However, excessive cash holdings should be avoided to prevent idle funds and reduced returns.
- ii. Firms should strengthen inventory management practices by improving demand forecasting, stock monitoring, inventory turnover, and production planning. Efficient inventory control can reduce holding and obsolescence costs while improving profitability.
- iii. Manufacturing firms should strengthen accounts receivable management by conducting proper customer credit assessments, setting appropriate credit terms, monitoring outstanding balances, and improving collection procedures. These measures can reduce collection periods, improve cash flows, and enhance profitability. Management should adopt an integrated liquidity management approach by coordinating cash, inventory, receivables, payables, and working capital decisions. This will enable firms to maintain an appropriate balance between liquidity and profitability.
- iv. Managers should regularly monitor liquidity indicators and incorporate them into financial planning and decision-making to identify potential liquidity constraints early and improve the firm's overall financial performance.

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