



CASH MANAGEMENT AND FINANCIAL PERFORMANCE OF QUOTED CONSUMER GOODS FIRMS IN NIGERIA

SALAMI Ganiyu Olusoji 

Department of Accountancy, Gateway ICT Polytechnic Saapade, Ogun State, Nigeria
gansoj2003@yahoo.com

OKUNOLA Bolanle Dorcas

Department of Accountancy, Gateway ICT Polytechnic Saapade, Ogun State, Nigeria

OGUNSANYA Babatunde Abraham

Department of Accountancy, Gateway ICT Polytechnic Saapade, Ogun State, Nigeria

WAHEED-AJANI Olatubosun Yemisi

Department of Accountancy, Gateway ICT Polytechnic Saapade, Ogun State, Nigeria

Abstract

This study examined the influence of liquidity on financial performance, assessed the impact of operating cash flow on financial performance, and determined the effect of the cash conversion cycle on the financial performance of quoted consumer goods firms in Nigeria. The study was undertaken to provide empirical evidence on the relationship between cash management and the financial performance of quoted firms in Nigeria. An ex-post facto research design was adopted, using secondary data obtained from the audited financial statements of the selected firms. The population of the study comprised 20 quoted consumer goods firms, from which 14 firms were purposively selected. The study covered the period from 2016 to 2024. Data were analysed using descriptive statistics, correlation analysis, and inferential statistics. The inferential analysis employed panel multiple regression using the Fixed Effects Model. The findings revealed that liquidity and operating cash flow had significant positive effects on the financial performance of quoted consumer goods firms in Nigeria. Conversely, the cash

conversion cycle had a significant negative effect on financial performance. The study therefore concluded that effective cash management is essential for enhancing the profitability and overall financial performance of firms. Firms should invest in cash management technology to improve efficiency and accuracy. Management should also strengthen cash control, planning, and budgeting to ensure effective liquidity management. In addition, firms should increase cash inflows, reduce unnecessary outflows, and invest surplus funds to enhance sales and profitability.

Keywords: Cash conversion cycle, management, liquidity, financial performance, operating cashflow

INTRODUCTION

Effective cash management is essential for a business because cash supports daily operations and influences both liquidity and profitability. A company can be profitable but still face cash shortages if cash is poorly managed. Therefore, maintaining adequate cash and properly balancing cash collections and expenses are crucial for business continuity and growth.

Cash management involves ensuring that a business has enough cash to meet its financial and operational needs while using excess cash productively. It focuses on managing cash inflows, outflows, movements, and balances. The main goal is to maintain an optimal cash balance, using surplus funds for profitable investments while ensuring sufficient cash is available to cover business expenses and financial obligations. Maintaining adequate cash reserves enables firms to finance operational shortfalls and meet their various financial requirements (Divinah et al., 2021). Therefore, the primary objective of cash management is to maintain an optimal level of cash while investing surplus funds in profitable opportunities to enhance the financial performance of the business (Nwoye et al., 2021).

Cash management involves monitoring and controlling the movement of funds into and out of a business. It affects the firm's ability to acquire assets, pay employees, service debt, and sustain its operations in pursuit of organizational objectives. Treasury management, which is closely associated with cash management, involves the monitoring and management of cash flows arising from a company's operating, financing, and investment activities. A firm's cash flow management policy, particularly its management of working capital components such as cash receivables from customers, inventory holdings, and payments to suppliers, is widely associated with improved financial performance (Kroes et al. 2012).

Financial performance reflects the outcomes of the strategies and decisions adopted by a firm in pursuit of its financial objectives. It provides an indication of the level of success a firm has achieved over a specified period (Liao & Wu, 2009). Alfred (2007) defines financial performance as the extent to which a business entity effectively utilizes its available resources to generate revenue. It is commonly evaluated using a firm's financial statements, which provide information on its financial results and position over a given period. Thus, financial performance represents the financial outcomes and condition of an organization arising from managerial decisions and actions (Harash et al., 2013).

Cash management is a critical organizational decision because financial resources are often limited and must be allocated among competing objectives. It is central to the operational process of an organization and contributes significantly to the achievement of its objectives. Cash management encompasses cash planning, monitoring and managing cash flows, determining an appropriate cash balance, and investing surplus funds. Businesses must maintain an appropriate balance between liquidity and profitability in the course of their daily operations. While liquidity is necessary to ensure that firms can meet their short-term obligations as they fall due, profitability must also be maintained to ensure long-term sustainability.

Businesses need to exercise caution in their reliance on overdraft facilities as a source of financing. Although overdraft financing can provide firms with the funds required to support their operations and generate returns, excessive dependence on such facilities may create challenges in maintaining adequate cash flows. These challenges may become more pronounced when businesses experience seasonal fluctuations in revenue or delays in collecting receivables. Poor cash management and weak financial performance have been identified as significant factors contributing to business failure. The adequacy of cash and other current assets, as well as the efficiency with which they are managed, can therefore have a substantial impact on the survival and sustainability of a business.

To enhance firm value and ensure sustainable business operations, firms must adopt effective cash management strategies. Poor cash management can hinder the smooth and continuous operation of businesses by creating challenges in meeting financial obligations and maintaining adequate liquidity. One of the key challenges confronting firms is determining the appropriate sources of finance for meeting their working capital requirements. In addition, firms need to effectively manage idle funds and maintain an optimal cash balance that is sufficient to meet operational needs without tying up excessive resources. Therefore, effective cash management is crucial for maintaining liquidity, enhancing financial performance, and promoting the long-term sustainability of firms. Against this background, this study examines the

relationship between cash management and the financial performance of quoted consumer goods firms in Nigeria.

LITERATURE REVIEW

Financial Performance

Financial performance, as articulated by Harash et al (2013), serves as a reflection of an entity's financial position or outcomes resulting from the strategic decisions made by the organization's management. It assesses how effectively an organization leverages its assets to generate revenue. Chibuike and Celestine (2022) assert that financial performance is a subjective measure of the extent to which a firm effectively utilizes its assets through its core business activities to generate revenue. Financial performance remains a major concern for business practitioners across different types of organizations because it has significant implications for an organization's financial health, sustainability, and ultimately its survival.

The assessment of financial performance relies heavily on data contained in financial statements. Financial performance is also reflected on the ability of the firm to increase its overall value. Profitability is an essential indicator of good performance and long-term success (Puni & Anlesinya, 2020). Financial performance is assessed using various financial ratios, which are commonly grouped into liquidity, profitability, solvency, efficiency, and leverage ratios. Profitability ratios specifically measure a company's ability to generate and sustain profits from its resources and operations. Common measures include Return on Investment (ROI), Return on Equity (ROE), Return on Assets (ROA), and Earnings Before Interest and Tax (EBIT).

Diana and Maria (2020) underlines profitability as a significant indicator of financial performance, citing return on equity (ROE) and return on assets (ROA) as key metrics for assessing profitability. Additionally, net profit is highlighted as a pivotal measure, representing the ratio of an entity's net profit to its sales.

Cash Management

Cash management is concerned with managing cash (inflows and outflows). According to Abiola-Adams et al. (2025) in Ashogbon et al, (2026), effective cash management involves developing and implementing strategies that optimize short-term liquidity while supporting long-term financial stability. Kyomukama (2013) sees cash management as a broad term referring to the collection and disbursement of cash. Some sources of cash inflow include cash from operating activities, sale of business assets, and dividends received from other companies, while cash out flows include settling creditors, purchasing inventory, and payments for expenses (Festus, 2011). Cash and cash equivalents are a precondition to ensure that firms can meet

their short-term obligations as they fall due while ensuring that profitability is not affected. Overall, cash management is crucial if corporations are to ensure sustained financial performance both in the short and long run.

Cash management is the systematic control, planning, and investment of a firm's liquid resources to ensure that sufficient cash is available when needed. It helps businesses avoid cash-flow shortages, meet financial obligations, and manage unexpected expenses. Effective cash management involves cash collection, forecasting, allocation, investment, and financial planning. Proper management of cash is essential for maintaining liquidity, improving financial performance, preventing business failure, and ensuring long-term sustainability.

The primary goal of cash management, as articulated by Soaga (2012) in Nasimiyu (2024), is to determine the optimal cash level to achieve the highest organizational performance standards. Effective cash management principles involve making timely expenditure decisions, promptly collecting and banking revenue, and accurately forecasting cash flow dynamics.

Cash management has been measured by many variables which include cash budget (Wanjuki et al., 2021), cash banking (Wanjuki et al., 2021), cash conversion cycle (Wanjuki et al., 2021; Koech et al., 2021; Asogbon et al., 2026), cash flow forecast (Wanjuki et al., 2021; Amini et al., 2021), cash mobilization (Amini et al., 2021), cash ratio (Thuita & Sitienei, 2021), cash and bank balances (Champaca, 2024; Asogbon et al. 2026), liquidity (Agurto et al, 2023;), operating cashflow (Oroniran et al., 2023; Peter et al., 2020, Rahman & Sharma (2020))

The cash management practices identified for this study are liquidity management, operating cashflows and management of cash cycle. Based on the foregoing, the following hypotheses are developed

H1: Liquidity significantly influences financial performance

H2: Operating cashflow statistically determines financial performance

H3: Cash conversion cycle statistically affects financial performance

Theoretical Review

Free Cash flow Theory (FCP)

Jensen's Free Cash Flow (FCF) Theory, introduced in 1986, explains that excessive free cash flow can create agency conflicts when managers invest surplus funds in projects that generate returns below the cost of capital. This may lead to overinvestment and a reduction in firm value. The theory suggests that debt can discipline managers by limiting their access to excess cash and creating mandatory financial commitments. Empirical studies generally provide evidence linking excessive FCF to overinvestment, agency costs, and weaker firm performance. Therefore, the theory is relevant to this study because it explains the relationship between cash

flows, investment decisions, agency costs, and firm value, highlighting the importance of effectively managing excess cash.

Liquidity Preference Theory

Keynes' Liquidity Preference Theory, introduced in 1936, explains that interest rates are determined by the supply and demand for money. The theory identifies three motives for holding money: the transaction motive for meeting daily expenses, the precautionary motive for unexpected needs, and the speculative motive for responding to changes in bond prices and interest rates. The theory is relevant to businesses because it helps determine the optimal cash balance by balancing liquidity needs against the opportunity cost of holding cash.

Empirical Review

Evidence from Foreign Countries

Njore and Ndede (2024) examined the effect of cash management practices on the financial performance of tea processing factories in the Mount Kenya Region. Using 70 respondents from 35 factories and quantitative analysis, the study found that effective cash management practices, particularly budgeting and monitoring bank balances, significantly improve financial performance. The study recommended optimizing cash management, regularly monitoring financial indicators, and promoting financial literacy among employees to enhance financial stability and sustained growth. Equally, Kibogo et al. (2025) examined the effect of cash management on the profitability of textile and apparel firms in Kenya. Using a correlational design and data from 63 finance managers, the study found a strong, positive, and statistically significant relationship between cash management and profitability. Cash management explained 66.7% of the variation in profitability ($R^2 = 0.667$), with a significant regression coefficient ($B = 0.661$). The study concluded that effective cash management is an important determinant of profitability and recommended improved cash-flow forecasting and adequate liquidity reserves to support financial performance and long-term sustainability.

Amini et al. (2021) examined the effects of cash forecasting and cash mobilization practices on the financial performance of SMEs in Indonesia. Using data from 90 SMEs in Java and Bali, the study found that managers frequently used cash forecasting but rarely practiced cash mobilization. The results showed that cash management practices had a significant relationship with Return on Assets (ROA) but a non-significant relationship with Gross Profit Margin (GPM). This indicates that cash management may improve asset-based financial performance, although its effect on profitability margins was not significant. Conversely, Rahman and Sharma (2020) examined the relationship between operating cash flow and

financial performance among insurance and manufacturing firms in Saudi Arabia. Using ROA and ROE as measures of financial performance, the study found that operating cash flow has a positive and significant effect on financial performance, while firm size and leverage showed negative relationships. The study concluded that effective operating cash flow management contributes to improved financial performance in these sectors.

Evidence from Nigeria

Oroniran et al. (2023) examined the effect of cash management on the profitability of 20 publicly listed Nigerian consumer goods companies from 2012–2021. Using annual-report data and regression analysis, the study found that operating and investing cash flows negatively affected profitability, while financing cash flows had a significant positive effect. The negative effect of operating cash flow was stronger on ROA, whereas investing cash flow had a greater effect on ROE. The study recommends that managers control operating costs, minimise unnecessary expenses, and exercise greater caution when making investment decisions. Similarly, Bamisaye et al. (2025) examined how financing cash flow management affects the financial performance of 50 listed Nigerian firms (25 manufacturing and 25 service companies) from 2012–2021. The study found that lower reliance on financing cash flows was associated with higher ROA and ROE, while greater reliance on internal funding positively influenced ROA, ROE, and total asset turnover (TAR). Overall, the findings highlight the importance of balancing internal and external sources of finance to improve corporate financial performance in Nigeria.

Ashogbon et al. (2026) examined the effect of cash management strategies on the operational performance of 30 listed Nigerian manufacturing firms from 2012–2022. The study found that firms adopted conservative (40%), moderate (33%), and aggressive (27%) cash management strategies. Cash and bank balances, cash conversion cycle, and cash turnover were all found to have significant effects on operational performance. Overall, the study concludes that effective cash management improves liquidity and profitability, recommending stronger cash policies, treasury management, and liquidity planning to sustain operational efficiency. Moneke and Ezeagba (2024) also examined the effect of cash management on the financial performance of 12 Nigerian industrial goods firms from 2013–2022. Using an ex-post facto design, annual report data, descriptive statistics, and regression analysis, the study found that cash and cash equivalents and cash turnover significantly affected return on assets (ROA). The study recommends maintaining an optimal cash balance—avoiding both excess and insufficient cash—to support smooth operations and improve firm performance. While Alhassan and Anwarul Islam (2021) examined the relationship between liquidity and profitability among 10 major listed oil and gas companies in Nigeria from 2011–2020. Using secondary data and fixed-

panel regression analysis, the study found that debt financing had a significant negative effect on profitability, while equity capital and retained earnings were more beneficial than debt financing. The study recommends that oil and gas firms strengthen equity capital, increase revenue and retained earnings, and reduce reliance on debt to improve profitability and shareholder wealth.

METHODOLOGY

The research design adopted for this study is the ex-post facto research design. *Ex-post facto* research design was employed in this study to explore the effect of cash management on performance of quoted firms in Nigeria. The study population consists of all the twenty (20) quoted consumer goods firms in the Nigeria Exchange Group (NGX) as at December 31, 2024.

Purposive sampling technique, a non-probability sampling technique, was adopted because every element does not have any chance of being selected. The study purposively selects from the population. The selected firms must be quoted before January 1, 2016; have accessible and complete data; and not be delisted during the period of study. The sample size after applying the above conditions was fourteen (14) firms.

This study relied on existing data and adopted secondary data in line with prior studies. This study employs secondary data available in the annual reports of listed companies in Nigeria. Numerous studies have found that the annual report of companies is still the most reliable means of communication in the modern business world. The secondary data was sourced from the published financial statements of the selected firms. The choice of the secondary data is due to the availability, completeness, objectivity, comparability and reliability. The data collected are reliable since they have been subjected to statutory audit and have satisfied Securities and Exchange Commission (SEC) rules before being published. The study covers a nine-year period, spanning from 2016 to 2024. This period was selected because most quoted firms had adopted the International Financial Reporting Standards (IFRS) by 2016, while 2024 represents the most recent year for which data were available. In order to look at the impact of cash management on financial performance, multiple panel regression analysis was adopted. In multiple panel regression analysis, the dependent variable financial performance which is measured by return on asset (ROA) is regressed against three independent variables (liquidity, operating cashflow and cash conversion cycle) and two control variables (firm size and sales growth). As there are other factors that influence the firm performance, so therefore the study also considers the control variable to overcome such problem, the following control variable is included in the regression equation; firm size.

The model for the study is specified as-

$$ROA_{it} = \alpha + \beta_1 LIQ_{it} + \beta_2 OCF_{it} + \beta_3 CCC_{it} + \beta_4 FSZ_{it} + \beta_5 SGR_{it} + \varepsilon$$

Where,

ROA_{it} = Return on Asset for firm i in period t. it is measure as the ratio of profit before tax to total assets

LIQ_{it} = Liquidity for firm i in period t. It is the ratio of current assets to current liabilities

OCF_{it} = Operating Cashflow for firm i in period t. it is expressed as the ratio of cash flow from operating activities to total assets

CCC_{it} = Cash conversion cycle for firm i in period t it is measured by summation of average number of days account receivable plus average no of days inventory less average number of days account payable

FSZ_{it} = Firm size for firm i in period t it is measured by the natural log of the total assets

SGR_{it} = Sales growth for firm i in period t measured by ratio of current revenue less previous turnover to previous revenue

ε = error term

α = constant.

$\beta_1 - \beta_5$ = coefficients of the predictors

In other to achieve the objectives, descriptive analytical procedure and inferential statistics will be employed. Descriptive statistics explain the essential features of data used in models. The descriptive analysis measures the central tendency (mean, median and mode) and variability (standard deviation or variance, the minimum and maximum variables).

The study carries out a correlation analysis to detect the extent of association among the variables used. Correlation analysis helps in determining the positive and negative relationship and the extent of the relationship whether weak, moderate or strong. It is always the practice to develop correlation matrix before multiple regression analysis due to its assistance in developing a prediction multiple models and detecting the possibility of multi-collinearity among variables.

For inferential statistics, the study will use panel multiple regressions for analysis. The choice of panel data over time series and cross-sectional data was because of the increased degree of freedom. It also reduced the level of collinearity that may occur among the variables and this will therefore increase the efficiency of estimates. The panel data analysis involved pooled ordinary least square (POLS), fixed effect model (FEM) and random effect model (REM). Fixed and random effects regression was included because the use of pooled regression can create heterogeneity problem because individual specific effect is not considered in the analysis. Firstly, the study carried out Breusch-Pagan LM statistic to determine whether POLS will be appropriate. A p-value of greater than 5 percent shows that POLS will be appropriate but

a further test for REM/FEM was applied when the p- value was less than 5 percent. This was followed by the Hausman specification test to determine whether REM or FEM is the appropriate model. A chi-square's probability of less than 5 percent means the fixed effects will be adopted otherwise the random effects.

The Fixed effect model was adopted for this study, after carrying out the LM statistical test and Hausman test. The E-VIEW 12 was used for the analysis

RESULTS

Table 1 illustrates that for the period between 2016 and 2024, the number of observations were 126, implying that fourteen consumer goods firms were being studied for nine years.

Table 1 Descriptive Statistics

Variables	N	Mean	Std. Dev.	Minimum	Maximum
ROA	126	0.0339	0.1820	-1.0248	0.4674
LIQ	126	1.2423	0.6452	0.3812	3.5924
OCF	126	0.1416	0.1639	-0.3902	0.5945
CCC	126	2.0497	902.3985	-9724.127	1572.137
FSZ	126	7.6525	0.8069	5.6768	9.0562
SGR	126	0.2119	0.4135	-0.9070	2.6385

Note. N = sample size; Std. Deviation = standard deviation, ROA = return on asset, LIV = liquidity, OCF = operating cashflow. CCC = cash conversion cycle, FSZ = firm size, SGR = sales growth

The Return on asset (ROA) for the firms had an average value of 0.0339 while its minimum value was -1.0248 with its maximum value being 0.4674. The first independent variable is Liquidity (LIQ) with the mean value of 1.2423, with a 0.3812 minimum value and 3.5924 maximum value and standard deviation of 0.6452. The Operating Cashflow (OCF) had a minimum of -0.3902 , a mean of 0.1416 and a maximum of 0.5945. The last independent variables Cash conversion cycle (CCC) had a mean of 2.0497, a minimum of -9724.127 and a maximum of 1572.137.

Table 1 also illustrated that the firm size (FSZ) had a mean of 7.6525 and a 5.6768 minimum value. A 9.0562 maximum value implies that the firms' asset base was properly constituted. Also, Sales growth (SGR) had a mean of 0.2119 was observed with a -0.9070 minimum value and a 2.6385 maximum value, with standard deviation of 0.4135.

Correlation Analysis

Table 2 Correlation Matrix

Variables	ROA	LIQ	OCF	CCC	FSZ	SGR
1. ROA	1					
2. LIQ	0.2179**	1				
3. OCF	0.2237**	-0.1643*	1			
4. CCC	-0.2295***	-0.0071	0.2546***	1		
5. FSZ	0.0241	-0.4417***	0.1697*	0.0330	1	
6. SGR	-0.215**	-0.0978	-0.0187	0.0624	-0.0079	1

***, ** and * denote statistical significance at 1%, 5% and 10% level respectively

Note. N = sample size; Std. Deviation = standard deviation, ROA = return on asset, LIQ = liquidity, OCF = operating cashflow. CCC = cash conversion cycle, FSZ = firm size, SGR = sales growth

The correlation matrix among variables of the study with their p -values is presented in Table 2. The results of correlation analysis show that ROA had positive and significant relationship with LIQ and OCF while it had negative and significant relationship with CCC and SGR. Also, it had positive and insignificant relationship with FSZ when the level of significance ($p > 0.05$). LIQ had negative and significant relationship with FSZ. It had negative and insignificant relationship with OCF, CCC and SGR. OCF had positive and significant relationship with CCC and it had positive and insignificant relationship with FSZ while it was insignificant negative association with SGR. CCC had positive and insignificant relationship with FSZ and SGR. FSZ had negative and insignificant relationship with SGR.

Diagnostic Tests

Prior to estimating the regression models, a series of diagnostic tests were conducted to evaluate the validity and appropriateness of the model specifications. Specifically, normality and multicollinearity diagnostics were employed.

Normality Test

The normality of the variables was assessed using skewness, kurtosis, and the Jarque–Bera (JB) test. The results of the JB test indicated that the series were not normally distributed. This finding is not unusual in the context of panel data, where heterogeneity across firms often induces deviations from normality. The assumption of normality is not strictly required in panel

datasets due to inherent firm-specific heterogeneity. Consequently, no corrective measures were deemed necessary to address the non-normality of the data.

Multicollinearity among Independent Variables

Multicollinearity arises when explanatory variables are highly correlated, thereby undermining the reliability of individual parameter estimates. To assess this issue, both a correlation matrix and the Variance Inflation Factor (VIF) were examined.

Correlation analysis assists in detecting the possibility of multicollinearity. Statistically, multicollinearity is said to occur when two independent variables are highly related with each other which may display redundant information in the regression analysis. It is argued that testing the correlation among the variables of estimate would help the researcher detect whether the variables have multi-collinearity among themselves.

Following the foregoing explanation, this study presents the correlation analysis in Table 2 and the results show that there is no evidence of multi-collinearity among the variables. The correlation results indicate that none of the variables has a correlation coefficient greater than 0.70, suggesting that there is no serious evidence of multicollinearity among the variables. Therefore, the variables are considered suitable for inclusion in the regression models. Based on these results, the study further estimates the effect of cash management on the financial performance of firms in Nigeria.

Table 3 Variance Inflation Factor (VIF)

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LIQ	0.000637	6.0372	1.2745
OCF	0.008632	1.9536	1.1151
CCC	2.75E-10	1.0766	1.0766
FSZ	0.000403	115.60	1.2613
SGR	0.001240	1.2892	1.0194

Note. N = sample size; Std. Deviation = standard deviation, ROA = return on asset,
LIV = liquidity, OCF = operating cashflow. CCC = cash conversion cycle,
FSZ = firm size, SGR = sales growth

VIF statistics, widely recognized as the standard diagnostic for multicollinearity, were also computed. A VIF value exceeding 10 is conventionally regarded as indicative of severe multicollinearity, while values between 5 and 10 suggest moderate multicollinearity, and values below 5 imply negligible multicollinearity. The VIF results in table 3 are consistently below 2.0,

confirming that multicollinearity does not pose a concern. Together, the correlation and VIF analyses indicate that the independent variables are sufficiently distinct, ensuring the robustness of subsequent regression estimates.

Regression Analysis and Interpretation of Results

Table 4 Regression result showing the effect of cash management on financial performance

Variables	Coeff	t-stat	prob
C	0.6799	1.1450	0.2548
LIQ	0.0847	2.5599	0.0119
OCF	0.2951	-3.6235	0.0013
CCC	-0.0001	-4.4084	0.0000
FSZ	-0.1014	-1.3054	0.1945
SGR	-0.0795	-2.2141	0.0289
<i>R</i> ² = .44, adjusted <i>R</i> ² = .35,			
<i>F</i> = 4.7083, <i>p</i> < .01.			
<i>LM</i> = 21.9675, <i>p</i> < .01,			
<i>Hausman</i> = 14.39769, <i>p</i> < .05,			
<i>N</i> = 126			

ROA = Return on Asset, LIQ = Liquidity, OCF Operating Cashflow,

CCC = Cash conversion cycle, FSZ = Firm Size, SGR= Sales Growth

From the result in table 4, Liquidity (LIQ) which is positively related to Return on Asset (ROA) as shown by the value of the coefficient, 0.0847. This shows that an increase in LIQ will lead to an increase in ROA and vice versa. This implies that a percentage increase in LIQ will lead to 0.08 percentage increase in ROA while a percentage decrease in LIQ will lead to 0.08 percentage decrease in ROA. The t-statistic value of 2.5599 with p-value of 0.0119 ($p < 0.05$) implies that LIQ has statistically significant effect on ROA. This means that the increase or decrease in LIQ will have significant effect on the change in ROA. The regression analysis indicates significant effect of liquidity on financial performance of the selected firms. This result agrees the findings of Agurto et al. (2023)

Operating Cashflow (OCF) is positively related to Return on Asset (ROA) as shown by the value of the coefficient, 0.2951. This shows that an increase in OCF will lead to an increase in ROA and vice versa. This implies that a percentage increase in OCF will lead to 0.3

percentage increase in ROA while a percentage decrease in OCF will lead to 0.3 percentage decrease in ROA. The t-statistic value of -3.6235 with p-value of 0.0013 ($p < 0.05$) implies that OCF has statistically significant influence on ROA. This means that the increase or decrease in OCF will have significant influence on the increase or decrease in ROA.

This result is consistent with the findings of Peter et al. (2020) and Rahman and Sharma (2020), who in their separate studies reported a positive relationship between cash flow from operating activities and ROA. However, the findings of this study contradict the findings of Oroniran et al. (2023) who also reported a negative effect of cashflow from operating activities.

Cash conversion cycle (CCC) is negatively related to Return on Asset (ROA) which is a proxy for firm performance as shown by the value of the coefficient, -0.0001. This shows that an increase in CCC will lead to a decrease in ROA and vice versa. This implies that a percentage increase in CCC will lead to 0.0001 percentage decrease in ROA while a percentage decrease in CCC will lead to 0.0001 percentage increase in ROA. The t-statistic value of -4.4084 with p-value of 0.0000 ($p < 0.01$) implies that CCC has statistically significant effect on ROA. This means that the increase or decrease in CCC will have insignificant effect on the increase or decrease in ROA.

The cash conversion cycle shows a negative but significant effect on the performance of firms which is in line with the study of Ashogbon et al. (2026). This significant effect also aligns with the studies of Wanjuki et al. (2021) and Koech et al. (2021). However, the results contrast with Udo and Nwachukwu (2022) and Ibrahim and Sanni (2024), who reported insignificant effects of the cash conversion cycle on profitability.

Firm size (FSZ) is negatively related to Return on Asset (ROA) which is a proxy for firm performance as shown by the value of the coefficient, -0.1014. This shows that an increase in FSZ will lead to a decrease in ROA and vice versa. This implies that a percentage increase in FSZ will lead to 0.1014 percentage decrease in ROA while a percentage decrease in FSZ will lead to 0.1014 percentage increase in ROA. The t-statistic value of -1.3054 with p-value of 0.1945 ($p > 0.05$) implies that FSZ has statistically insignificant effect on ROA. This means that the increase or decrease in FSZ has no significant effect on the increase or decrease in ROA.

Sales growth (SGR) is negatively related to Return on Asset (ROA) as shown by the value of the coefficient, -0.0795. This shows that an increase in SGR will lead to a decrease in ROA and vice versa. This implies that a percentage increase in SGR will lead to 0.08 percentage decrease in ROA while a percentage decrease in SGR will lead to 0.09 percentage increase in FSZ. The t-statistic value of -2.2141 with p-value of 0.0289 ($p > 0.05$) implies that SGR has statistically insignificant effect on ROA. This means that the increase or decrease in SGR will have insignificant effect on the increase or decrease in ROA.

The result shows that the R-squared value of is 0.44. This R-squared value indicates the proportion of variation in the dependent variable that can be explained by the independent variables. The value implies that the independent variables were able to explain 44 percent of the total variations in the dependent variable while the remaining 56 percent were explained by other variables not specified in the model.

The *F*-statistics provides a likelihood-ratio test of the model's adequacy. *F*-statistics value of 4.7083 with probability value of 0.0000 indicates that the overall model is statistically significant ($p < 0.05$).

CONCLUSION AND RECOMMENDATIONS

This study was embarked on in order to determine the impact of Cash management on the financial performance of quoted consumer goods firms. From the result of the analysis, it was discovered that the cash management of organizations have significant positive relationship with financial performance of the firms. It can therefore be concluded that cash management of organizations are vital in enhancing the profitability and performance of firms.

Based on findings, firms are encouraged to invest in cash management technology. This will improve the accuracy and efficiency of cash management and allows the staff and management to focus on development and innovation. The management should develop a solid strategy for cash control and cash planning; budgeting management in order to avoid the problem of mismatched investments; and the quality of liquidity should be improved. Firms should also work on increasing cash inflows while decreasing cash outflows, so that surplus capital may be managed into an investment portfolio. As a result, a firm's sales and, ultimately, profitability would rise.

REFERENCES

- Agurto, Y. M. C., Rodriguez, V. H. P., Delgado, F. M. C., Cruz, L. del. C. S. S., Ramírez, F. B., & Gavidia, M. J. F. (2023). Relationship of cash management to profitability of cement companies listed on the lima stock exchange, *International Journal of Professional. Business Review*, 88(4), 1-21
- Alfred, D. D (2007). Corporate Finance (2nded.) New York: High Rise Publishers
- Alhassan, I & Anwarul Islam, K. M. (2021). Liquidity management and financial performance of listed oil and gas companies in Nigeria. *International Journal of Accounting & Finance Review*, 8(1)
- Amini, N., Setiono, B., Panghribuam, C. H., & Princess, E. (2021). The impact of cash management practices toward financial performance of SME s in Indonesia. *Journal of Business, Management and Social Studies*, 1(1), 35-47.
- Ashogbon, F. O; Olayiwola, J. A. & Akinbode, F. A. (2026). Cash management strategies and operating performance of listed manufacturing firms in Nigeria. *Ijagun Journal of Social and Management Sciences*, 10(1), 153-166
- Bamisaye, T. O., Owofe, T. O. & Awe, S. O. (2025). Financing cash flow management and firm performance: Evidence from Nigerian listed companies. *FUDMA Journal of Business Management*, 3(2),
- Champaca, M. 2024. Measuring Fintech's Health: Cash Management and Risk on Firm Performance, *Jurnal Aplikasi Manajemen*, 22(2), 575–585

- Chibuikwe C., & Celestine. A. (2022). Effect of cash flow management on financial performance: Evidence from the pharmaceutical industry in Nigeria. *African Journal of Accounting and Financial Research*. 5(1):1-13.
- Diana, H. I., & Maria, M. M. (2020). The importance of profitability indicators in assessing the financial performance of economic entities. *The Annals of the University of Oradea*, 29(2020), 219.
- Divinah, J. K, Willy, M., Oluoch, O., & Assumptah, K. (2021). Cash management on financial performance of non-financial firms listed of Nairobi Securities Exchange. *Research Journal of Finance and Accounting*, 12(23), 1-9.
- Festus, A. (2011). Cash management and growth of small-scale business in Ntungamo market. Retrieved from www.ssrn.com
- Harash, E., Bin Yahya, S., Ries Ahmed, E., & Jasem Alsaad, F. (2013). Impact of Government policies in the Influence of Market practices on Financial Performance of small and medium enterprises (SMEs) in Iraq. *Journal of Accounting and Business (JAB)*, 13(2).
- Ibrahim, M., & Sanni, K. (2024). Impact of cash management on the financial outcomes of Nigeria's service sector firms. *Research Journal of Accounting and Finance*, 6(2), 91–104
- Kibogo, J. J., Kibet, L. K. & Kiplagat, N. K.. (2025). Effect of cash management on profitability of textile and apparel firms in Kenya. *African Journal of Emerging Issues*, 7(18), 102-115
- Koech, D. J., Muturi, W., Oluoch, O. & Kagiri, A. (2021). Cash management on financial performance of non-financial firms listed at Nairobi securities exchange. *Research Journal of Finance and Accounting*, 12(23), 1-9
- Kroes, J., Subramanian, R & Subramanyam, R (2012). Operational compliance levers, environmental performance and firm performance under cap-and-trade regulation. *Journal of manufacturing & service operations Management*, 14(2), 186-201
- Kyomukama, J. (2013), 'Cash management on the profitability of financial institutions: a case study of bank of Africa Uganda. B.Sc. project: Faculty of Business and Development Studies, Bishop Stuart University, Uganda
- Liao, S. H., & Wu, C.C (2009). The relationship among knowledge management, organizational learning and organizational performance. *International Journal of Business and Management*, 4(4), 64-76
- Moneke, G. N. & Ezeagba, C. E. (2024). Cash management and financial performance of industrial goods firms in Nigeria, *Journal of Global Accounting*, 10(2), 238 - 257.
- Nasimiyu, A. E. (2024). Cashflow management practices and financial performance of small and medium business enterprises in Kenya. *African Journal of Commercial studies*. 4(3) (2024) 252-263
- Njore, W. J. & Ndede, F. W. S. (2024). Cash management practices and financial performance of tea processing factories in Mount Kenya Region, Kenya. *International Academic Journal of Economics and Finance*, 4(3), 277-291.
- Nwoye, U.J., Ezenwafor, N.J. & Okoye, E.I. (2021). Assessing liquidity determinants and cash holdings decisions of systematically important banks (sibs) in Nigeria: The pre and post economic recession experience, *Journal of Taxation and Economic Development*, 20(1), 78 – 101.
- Oroniran T. A, Abdullahi S, R, & Olanisebe M. B (2023). Impact of cash management on firm profitability of listed consumer goods in Nigeria. *Fuoye Journal of Accounting and Management* 6(1)13-29
- Peter, I. A., Njoku, N. O., Ugoani, N. N. J., Nwaorgu, O. C. & Ukeje, S. O. (2020). Cash management and bank's financial performance: Evidence from selected deposit money banks in Nigeria. *AFRE Accounting and Financial Review*. 3(2), 180-189
- Puni, A., & Anlesinya, A. (2020). Corporate governance mechanisms and firm performance in a developing country. *International Journal of Law and Management*, 62(2), 147–169
- Rahman, A., & Sharma, R. B. (2020). Cash flows and financial performance in the industrial sector of Saudi Arabia: with special reference to insurance and manufacturing sectors. *Investment Management and Financial Innovations*, 17(4), 76-84.
- Thuita, J. M. & Sitienei C. K. (2021). Effect of cash management on financial performance of deposit taking SACCOS in Kenya. *International Journal of Social Science and Economic Research*, 6(2), 473-485
- Udo, E., & Nwachukwu, L. (2022). Effect of cash conversion cycle on firm performance of quoted manufacturing firms in Nigeria. *Journal of Economics, Management and Trade*, 28(6), 25–37
- Wanjuki, E. N, Githui, T. & Omurwa, J. (2021), Relationship between cash management and financial performance of private hospitals in Nairobi County, Kenya, *Journal of Finance and Accounting*. 5(2), 128-146.