

Liquidity as an Antecedent to the Financial Performance of Listed Food and Beverages Firms in Nigeria

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ABSTRACT

The study examined the effect of liquidity on the financial performance of listed food and beverages firms in Nigeria. Liquidity was measured using inventory conversion period, current ratio and account receivable period while financial performance was measured with Return on Asset. Ex-post facto research design was used. The study selected a sample size of six (6) food and beverages firms using purposive sampling tool. Secondary data were sourced from the annual reports of the sampled firms over a period of ten (10) years which spanned from 2012 to 2021. The estimation of result was carried out with the use of random effects model of panel least square regression at 5% level of significance. The findings showed that: Inventory conversion period has a significant negative effect on the return on asset of listed food and beverages firms in Nigeria ($\beta_1 = -0.000797$, p-value= 0.0302); current ratio has no significant positive effect on the return on asset of listed food and beverages firms in Nigeria ($\beta_2 = 0.020182$, p-value= 0.4768); account receivable period has no significant positive effect on the return on asset of listed food and beverages firms in Nigeria ($\beta_3 = 0.000131$, p-value= 0.5415). It was recommended that managers should agree shorter term payments, invoice and investigate credit rating on a regular basis.

Keywords: Liquidity, Financial Performance, Inventory Conversion Period, Current Ratio, Account Receivable Period, Return on Assets

I. INTRODUCTION

The concept of liquidity has been widely discussed in the literature of financial management to determine its influence on the different aspects of company's financial performance (Kinyua & Fredrick, 2022). In a firm, there is a deficit and surplus in liquidity related to stock and it needs to be monitored to control the equity of a company.

Deficit liquidity arises from a shortage in stocks and this can cause the profitability to decline (Eke & Ringin, 2022). Food and beverages firms require adequate liquidity levels to keep up with the achievement of the financial objectives of the firms coupled with the need to meet the demands of customers and satisfy credit terms with lenders. This thought line has driven many researchers to conduct various studies that examined the financial benefits of liquidity to firms in general (Agubata, 2021; Bhegawati, Yuesti & Setiawati, 2022).

The survival of any company in the market is considered to be highly dependent on its liquidity, as the company's failure to meet its short-term obligations in a given time can cause bad credit ratings from the creditors. This can eventually lead towards reducing the company's goodwill in the market, thus causing liquidation. Firm liquidity remains one of the most significant issues in corporate finance management as it focuses on the ability of firms to meet their short-term obligations as they fall due, using the cash and other components of current assets available (Arif & Batool, 2022). Food and beverages firms that are unable to manage their liquidity positions appropriately goes into the problem of illiquidity. This illiquidity is highly risky and it creates a bad credit image, loss of creditors' confidence, high-cost emergency borrowing, unnecessary legal battles or even closure of the firm. On another side, high level of liquidity attracts high cost of holding current assets, which affect return on assets negatively. In other words, the firm liquidity position should neither be too high (which shows under-trading or over-capitalization) nor too low (which shows over-trading or under-capitalization).

Every profit-oriented business enterprise irrespective of size requires necessary amount of working capital. This is because adequate levels of liquidity achieved through proper working capital decisions is one of the most crucial factors that play

critical role in the sustenance of the business enterprise with respect to solvency, growth and profitability of business (Khan et al., 2022). The misfortunes that are brought about by liquidity mismanagement are undesirable thorns on the flesh of every business organization. For example, Karani (2014) argued that inadequate cash or liquid assets in hand may force a company to miss the incentives given by the suppliers of credit, services, and goods as well. Of course, loss of such incentives may result in higher cost of goods which in turn affects the profitability of the business. The need to maintain adequate level of liquidity in firms is pervasive. It is clear that each stakeholder has interest in the firm liquidity position. Suppliers of goods will check the liquidity of the company before selling goods on credit. Employees should also be concerned about the company's liquidity to know whether the company can meet its employee related obligations, i.e., salary, pension, provident fund, etc.

The essence of managing the firm's liquidity is because of its influence on financial costs reduction or growth, changes in the sales dynamic, as well as its influences on company risk level. Excessive liquidity implies there are too many idle funds earning low or no profits for the firm (Olowokudejo & Ajijola, 2022). Alas, on the other side, paucity of liquidity in addition to thwarting the firm's return on assets also brings about avoidable interruptions and inefficiencies in the manufacturing processes. To the best of the researcher's knowledge, previous studies that examine similar issue in the past using some food and beverages firms in Nigeria did not derive empirical evidence from 2021 accounting period. This study fills this gap in knowledge. The study by Eke and Ringin (2022) which even tried to include food and beverages firms' data for 2020FY neglected the panel effect of the data by using Ordinary Least Square Regression.

Thus, the present study aims at determining the effect of inventory conversion period, current ratio and account receivable period on the return on asset of quoted food and beverages firms in Nigeria using empirical evidence from 2012 to 2021.

II. LITERATURE REVIEW

2.1 Liquidity

Liquidity simply refers to a company's ability to pay bills as they arise. Business liquidity gives a perception of the capacity of company to cover short term or current obligations as well as to reimburse creditors on maturing loan obligations which are critical to a firm's going concern (Eke

& Ringin, 2022). A liquid company is one with sufficient liquid assets which entail cash holdings and possesses the capacity to raise resources quickly from other ventures to enable it to meet its payment obligation and financial commitment in an appropriate manner. The firm that is unable to service its obligations to its suppliers and creditors as at when due would most likely be termed insolvent. So critical is liquidity for every business both in Nigeria and around the world, that a company cannot function without it. For a going concern to which profitability or creation of value is a major factor, its managers tend to strive to achieve a reasonable level of financial profitability in order to maximize their shareholders' wealth (Amnim, Aipma & Obiora, 2021). The concern of business owners and managers all here in Nigeria and of course all over the world is to devise a strategy for managing their day to day operations in order to meet their financial obligations as they fall due and increase profitability and shareholder's wealth optimally (Kinyua & Fredrick, 2022).

Summarily, it was argued by Eke and Ringin (2022) that the decisive significance of liquidity reveals that its management is very crucial for the development of any business concern given that it is one of the fundamental endogenous factors which is responsible for company market position. This made Amnim, Aipma and Obiora (2021) to submit that a firm should ensure that it does not suffer from lack-of or excess liquidity to meet its short-term compulsions. The major dilemma in liquidity management then is to achieve desired tradeoff between liquidity and profitability. In this study, the proxies of liquidity used are: current ratio, inventory conversion period and account receivable period.

2.2 Financial Performance

Financial performance refers to a company's capacity to meet a set of financial objectives, such as increase in firm profitability (Achach, 2021). The degree to which a company's financial standards have been fulfilled is referred to as financial performance. It displays how well financial goals have been met. Financial performance indicates how a company uses assets to generate revenue and hence helps stakeholders in their decision-making. The current research defines financial performance of food and beverages firms as a company's ability to earn income from its assets.

Financial performance entails the ability of an organization to gain and manage the resources in several different ways to develop competitive advantage while generating financial

benefits for its owners. Arif and Batool (2022) considered financial performance of a firm as a measure of the amount by which a company's revenues exceeds its relevant expenses. Financial performance, or profitability, refers to an organization's management's capacity to employ resources efficiently in the core operations of the firm to create sufficient income and provide returns to a variety of stakeholders (Emmanuel, 2022). This study measures financial performance with the use of return on assets.

2.3 Theoretical Backing

This study is theoretically underpinned by Trade-off Theory developed by Myers (1984). The theory was developed to solve the problem observed in manager's quandary in liquidity management, and to address the strife encountered by managers in their quest to balance the desired liquidity level of the firm while increasing firm profitability. 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. The benefits of these are (1) transaction costs are saved to raise funds; (2) assets need not be liquidated to make payments (3) 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).

The relevance of this theory can be ascertained by relating the risk and return trade-off to liquidity management policies. For instance, an aggressive policy of liquidity management leads to the highest profitability but the least liquidity with its associated risk of insolvency that is usually high. The conservative or liberal policy on the other hand guarantees higher liquidity for the firm but with lower returns (profitability) and associated lower risk. Given 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; food and beverages firms can better achieve this objective through adequate maintenance of the liquidity management components (current assets and current liabilities) and at the same time keeping abreast of the risk and

return trade-off. Considering account receivables, it is argued that a flexible trade credit policy with an interest on receivables may increase sales and thereby increasing profit levels.

2.4 Empirical Findings

The study carried out by Eke and Ringin (2022) analysed the impact of liquidity management on financial performance of listed consumer goods companies in Nigeria from 2009 to 2020. The secondary data collected from a sample of 7 consumer goods companies were analysed using Least Squares Regression Method which found a positive relationship between cash ratio (0.0134) and return on assets of the firms but current ratio and quick ratio negatively affect return on assets of quoted consumer goods companies in Nigeria. Unlike the study carried out by Olowokudejo and Ajijola (2022) to assess the effect of liquidity management on the return on assets of insurance companies in Nigeria from 2011- 2019. The results of the panel regression analysis showed that liquidity ratio significantly and positively affect return on assets. In the same vein, the study carried out by Kinyua and Fredrick (2022) to ascertain the effect of liquidity risk on financial performance of Manufacturing Firms listed at Nairobi Securities Exchange using panel regression analysis found that liquidity significantly and positively affects the financial performance of Manufacturing Firms listed at NSE.

However, Christianto and Munir (2022) that carried out a related study using oil gas mining sub-sector companies in Indonesia from 2018-2021 concluded that current ratio has a negative and significant effect on return on assets. This conclusion was drawn after applying multiple regression analysis. But Arif and Batool (2022) found that the negative effect of liquidity on return on equity and earnings per share is not significant. This was after examining the effect of liquidity on the performance of cement sector of Pakistan from 2016 to 2020 and then analysing the data with regression technique. Similarly, Emmanuel (2022) that examined the effect of liquidity on the financial performance of Nigerian listed firms using data of 17 consumer goods from 2012 to 2017 and pooled Ordinary Least Squares found that liquidity does not significantly affect financial performance.

Bhegawati, Yuesti and Setiawati (2022) while exploring liquidity in consumer goods industry sector of the Indonesia stock exchange from 2019-2021, with a sample of 25 companies and multiple linear regression analysis, found that cash turnover ratio and the turnover ratio positively

and significantly affect liquidity while the accounts receivable turnover variable does not affect liquidity. In the study carried out by Khan et al. (2022) to examine the impact of liquidity on the value of assets return in Pakistan and the United Kingdom, the data collected from the annual reports of 30 Pakistan companies and 30 UK companies from 2005 till 2019 were analysed using regression. It was found that illiquidity has significant and negative influence on the stock return of the firms.

Agubata (2021) investigated the relationship between liquidity management and performance of Natural resources companies in Nigeria from 2013 to 2020. The results of the regression analysis suggest that trade payable payment period, trade receivable collection period and, inventory holding period positively and significantly relate to the return on assets on the firms. Same result was found by Achach (2021) that examined the effect of liquidity management on the performance of NSE-listed non-financial companies from 2016 to 2020. The regression analysis carried out showed that liquidity management positive and significantly affects the performance of the NSE listed non-financial companies. However, Alhassan and Islam (2021) found that liquidity has a significant negative impact on the profitability of oil and gas firms in Nigeria. This evidence was derived from ten listed Nigerian oil and gas from 2012 to 2021 and the data were analysed using multiple regression.

III. METHODS

To determine how food and beverages firms' liquidity affects their financial performance, an ex-post facto research design was used. The study derives its empirical data and evidence solely from food and beverages firms in

Nigeria. The study purposively selected 6 food and beverages firms on the basis of availability of complete financial statements from 2012 to 2021. This study relied on secondary data that were obtained from the annual audited financial statements of the sampled firms. Descriptive statistics such as mean score, standard deviation, skewness and kurtosis were estimated for all the variables while panel regression analysis was used in estimating the regression coefficients.

The independent variable in this study, which is liquidity, was measured by inventory conversion period (ICP), account receivable period (ARP) and current ratio (CR) whereas the proxy for the dependent variable, financial performance, was return on asset (ROA). A control variable, Firm Size, was also introduced in the model in order to help obtain a well-specified model. The mathematical expression that shows the relationship between the independent and dependent variables of the study is given below.

$$ROA = f (ICP, ARP, CR, FZE) \dots\dots\dots (a)$$

The econometric forms of the above equation which gave the estimable regression equations for each of the hypotheses are stated below.

$$ROA_{it} = \alpha_0 + \beta_1 ICP_{it} + \beta_2 CR_{it} + \beta_3 ARP_{it} + \beta_4 AFZE_{it} + \mu_{it} \dots\dots\dots (b)$$

- Where,
 ROA = Return on Asset
 ICP = Inventory Conversion Period
 ARP = Accounts Receivable Period
 CR = Current Ratio
 FZE = Firm Size
 α_0 = constant
 β_{1-4} = coefficients of the independent variables
 μ = Error term
 i = Firm of interest
 t = Period of interest

The variables of the study are measured as shown in **Table 3.1** below.

Table 3.1 Description of Operational Variables of the Study

Variables	Formula
1. Return on Assets	$\frac{\text{Earnings After Tax}}{\text{Total Assets}}$
2. Inventory Conversion Period	$\frac{\text{Inventory}}{\text{Cost of Goods Sold}} \times 365$
3. Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
4. Accounts Receivable Period	$\frac{\text{Accounts receivable}}{\text{Net credit sales}} \times 365$
5. Firm Size	Natural log of Total Assets

Source: Researcher's Conceptualization, 2022

IV. RESULTS AND DISCUSSION

4.1 Descriptive Statistical Analysis of the Data

The secondary data that were obtained on ROA, ICP, CR, FZE and ARP were descriptively

summarized using Mean, maximum Values, Minimum Values and Standard deviation. Table 4.1 gives the output of the descriptive statistical analysis of the data.

Table 4.1 Descriptive Statistics of the Data

	ROA	ICP	CR	ARP	FZE
Mean	0.094022	71.46962	1.079759	37.49589	8.044746
Median	0.083554	69.42674	0.909750	24.78189	8.085120
Maximum	0.264935	135.7654	2.205948	247.0531	8.647811
Minimum	-0.149599	12.64413	0.408658	1.844196	7.439775
Std. Dev.	0.080773	26.96545	0.500070	45.23412	0.339445
Skewness	-0.045512	0.214127	0.813650	3.052342	-0.250947
Kurtosis	3.080160	2.633762	2.629823	13.66964	2.264076
Jarque-Bera	0.036777	0.793828	6.962832	377.7710	1.983702
Probability	0.981780	0.672392	0.030764	0.000000	0.370890
Sum	5.641330	4288.177	64.78556	2249.753	482.6847
Sum Sq. Dev.	0.384929	42900.99	14.75415	120721.4	6.798153
Observations	60	60	60	60	60

Source: E-View Version 11 Output

The output of the descriptive analysis on ROA, ICP, CR, ARP and FZE showed that the mean value for ROA was 0.094022. By implication, the 6 sampled firms on average realised 0.09 naira for every 1 naira assets they put in use from 2012 to 2021. The standard deviation for this mean was 0.080773, which was nearly equal to the mean, indicating that the financial performance of the sampled firms are greatly different from 2012 to 2021. This was confirmed by the Maximum and Minimum values of 0.264935 and -0.149599, respectively. The skewness for ROA was -0.045512 which indicates that most of the ROA of the sampled firms were clustered below the mean. The kurtosis value of 3.080160 showed that the distribution of the firms' ROA from 2012 to 2021 was mesokurtic and looked similar to a normal distribution. However, the Probability of the Jarque-Bera stat for ROA was 0.036777, implying that the data on ROA were not normally distributed. In other words, some firms performed extremely well whereas some other performed extremely poor with respect to their ROA from 2012 to 2021.

The mean value for ICP was 71.46962. By implication, it took the 6 sampled firms an average of 71 days to convert their inventories into sales. The standard deviation for this mean was 26.96545, which was far from the mean, indicating that the ICP of the sampled firms are greatly similar from 2012 to 2021. This was negated by the Maximum and Minimum values of 136 and 13, respectively. The skewness for ICP was 0.214127 which indicates that few of the ICP of the sampled firms

were clustered above the mean. The kurtosis value of 2.633762 showed that the distribution of the firms' ICP from 2012 to 2021 was approximately mesokurtic and looked similar to a normal distribution. The Probability of the Jarque-Bera stat for ICP was 0.672392, implying that the data on ICP were normally distributed. In other words, there were no firms that had extreme values of ICP from 2012 to 2021.

The mean value for CR was 1.079759. By implication, the 6 sampled firms had an average of 1.08 current assets per 1 naira current liabilities they owe. The standard deviation for this mean was 0.500070, which was half-way from the mean, indicating that the CR of the sampled firms are greatly dissimilar from 2012 to 2021. This was supported by the Maximum and Minimum values of 2.205948 and 0.408658, respectively. The skewness for CR was 0.813650 which indicates that some of the CR of the sampled firms were clustered above the mean. The kurtosis value of 2.629823 showed that the distribution of the firms' CR from 2012 to 2021 was approximately mesokurtic and looked similar to a normal distribution. However, the Probability of the Jarque-Bera stat for CR was 0.030764, implying that the data on CR were not normally distributed. In other words, there were some firms that had extreme values of CR from 2012 to 2021.

The mean value for ARP was 37.49589. By implication, it took the 6 sampled firms an average of 37 days to collect their trade receivables made via credit sales. The standard deviation for this mean was 45.23412, which was far above the

mean and indicated that the ARP of the sampled firms are greatly dissimilar and heterogeneous from 2012 to 2021. This was confirmed by the Maximum and Minimum values of 247.0531 and 1.844196, respectively. The skewness for ARP was 3.052342 which indicates that most of the ARP of the sampled firms were clustered above the mean. The kurtosis value of 13.66964 showed that the distribution of the firms' ARP from 2012 to 2021 was leptokurtic and looked different from a normal distribution. The Probability of the Jarque-Bera stat for ARP was 0.000000, implying that the data on ARP were significantly not normally distributed. In other words, there were firms that had extreme values of ARP from 2012 to 2021.

The mean value for FSZ was 8.044746 with a standard deviation of 0.339445. The standard deviation was highly below the mean, an indication that there is homogeneity in the asset

base of the sampled firms from 2012 to 2021. The maximum FZE of 8.647811 and the minimum FZE of 7.439775 supports this argument. The skewness value for FZE was -0.250947, showing that few of the data were clustered below the mean. The kurtosis of 2.264076 indicates a platykurtic distribution while the Probability of Probability of the Jarque-Bera stat for FSZ was 0.370890, implying that the data on FSZ were normally distributed. In other words, there were no firm that had extreme values of FSZ from 2012 to 2021.

4.2 Hausman-Specification Test

To ascertain which of the techniques best predict the association between the dependent variables, Hausman Test was employed to select the best model between fixed-effects model or random-effects model. The results of the Hausman test are presented in **Table 4.2**.

Table 4.2 Hausman-Specification Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.600436	4	0.8087

Source: E-View Version 11 Output

Table 4.2 revealed that the random effect model is preferred to fixed effect as suggested by Hausman specification test result in view of the fact that the estimated Probability chi-square = 0.8087 is greater than 0.05.

4.3 Hypotheses Testing

The estimation of result was carried out with the use of random effects model of panel least square regression at 5% level of significance. The model below was evaluated.

$$ROA_{it} = \alpha_0 + \beta_1 ICP_{it} + \beta_2 CR_{it} + \beta_3 ARP_{it} + \beta_4 FZE_{it} + \mu_{it}$$

The result of the Random Effect Model is shown in **Table 4.3**.

Table 4.3 Panel Least Square Regression Result

Dependent Variable: ROA
Method: Panel EGLS (Cross-section random effects)
Date: 08/25/22 Time: 00:56
Sample: 2012 2021
Periods included: 10
Cross-sections included: 6
Total panel (balanced) observations: 60
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ICP	-0.000797	0.000358	-2.225218	0.0302
CR	0.020182	0.028174	0.716342	0.4768
ARP	0.000131	0.000214	0.614337	0.5415
FZE	-0.064291	0.053991	-1.190767	0.2389
C	0.641449	0.435227	1.473826	0.1462

Effects Specification

	S.D.	Rho	
Cross-section random	0.109156	0.8022	
Idiosyncratic random	0.054201	0.1978	
Weighted Statistics			
R-squared	0.175861	Mean dependent var	0.014585
Adjusted R-squared	0.115924	S.D. dependent var	0.056373
S.E. of regression	0.053005	Sum squared resid	0.154526
F-statistic	2.934083	Durbin-Watson stat	1.000815
Prob(F-statistic)	0.028585		
Unweighted Statistics			
R-squared	-0.149585	Mean dependent var	0.094022
Sum squared resid	0.442508	Durbin-Watson stat	0.349489

Source: E-View Version 11 Output

The R-Squared, also known as coefficient of determination was used to show how good the model is at predicting the dependent variable. The $R^2 = 0.175861$, indicates that 17.59% of the changes in the ROA of listed food and beverages firms was attributed to ICP, CR, ARP and FZE.

The overall goodness-of-fit of the model was revealed by F-statistic = 2.934083 and Prob(F-statistic) = 0.028585, which indicated that the model is significant at 5% level since the Prob(F-statistic) is less than 0.05. In summary, the model that predicted the ROA of listed food and beverages firms using ICP, CR, ARP and FZE can be relied on for statistical inference because it fits the data properly. The Durbin–Watson test statistic was 1.000815 which implied there could be issue of auto-correlation among the residuals. However, panel data regression output remains valid and accurate despite the presence or absence of serial correlation.

4.3.1 Hypothesis One

H_0 : Inventory conversion period does not have a significant effect on the return on asset of quoted food and beverages firms in Nigeria.

Table 4.3 gave the coefficient of the estimated marginal effect of inventory conversion period on Return on Asset of listed food and beverages firms in Nigeria. The coefficient of inventory conversion period was -0.000797, showing that inventory conversion period negatively affects the ROA of listed food and beverages firms. An increase in inventory conversion period by 1 unit will lead to 0.000797 significant decrease in the Return on Asset. This negative effect is significant since the absolute

value of $t = 2.225218$ exceeded 2 while the p-value(0.0302) was less than 0.05. Therefore, it was concluded that Inventory conversion period has a significant negative effect on the return on asset of listed food and beverages firms in Nigeria ($\beta_1 = -0.000797$, p-value= 0.0302).

Information on inventory conversion period revealed a negative and significant relationship with Return on Asset. Thus, any increase inventory conversion period in days adversely affects the profit maximization goal of listed food and beverages firms in Nigeria. Less inventory conversion period is better because the more swiftly the firms convert their inventory into sales, reduces the chances of obsolescence and paying of over-stocking cost.

4.3.2 Hypothesis Two

H_0 : Current ratio does not have a significant effect on the return on asset of quoted food and beverages firms in Nigeria.

Table 4.3 gave the coefficient of the estimated marginal effect of current ratio on Return on Asset of listed food and beverages firms in Nigeria. The coefficient of current ratio was 0.020182, showing that current ratio positively affects the ROA of listed food and beverages firms. An increase in current ratio by 1 unit will lead to 0.020182 insignificant increase in the Return on Asset. This positive effect is insignificant since the absolute value of $t = 0.716342$ was less than 2 while the p-value(0.4768) was greater than 0.05. Therefore, it was concluded that Current ratio has no significant positive effect on the return on asset of listed food and beverages firms in Nigeria ($\beta_2 = 0.020182$, p-value= 0.4768).

The information on current ratio showed that the changes in Return on Asset are not significantly influenced by changes in current ratio. That is, changes that occur in current ratio do not significantly improve the Return on Asset of listed food and beverages firms in Nigeria. In general, high current ratio is preferred by firms and investors because the greater the coverage of liquid assets to short-term liabilities the better as it is a clear signal that a company can pay its debts that are coming due in the near future and its ongoing operations.

4.3.3 Hypothesis Three

H_0 : Account receivable period does not have a significant effect on the return on asset of quoted food and beverages firms in Nigeria.

Table 4.3 gave the coefficient of the estimated marginal effect of account receivable period on Return on Asset of listed food and beverages firms in Nigeria. The coefficient of account receivable period was 0.000131, showing that account receivable period positively affects the ROA of listed food and beverages firms. An increase in account receivable period by 1 unit will lead to 0.000131 insignificant increase in the Return on Asset. This positive effect is insignificant since the absolute value of $t = 0.614337$ was less than 2 while the p -value (0.5415) was greater than 0.05. Therefore, it was concluded that Account receivable period has no significant positive effect on the return on asset of listed food and beverages firms in Nigeria ($\beta_3 = 0.000131$, p -value = 0.5415).

The study revealed that movement in Return on Asset is not statistically affected by changes in account receivable period in days. In effect, Return on Asset of listed food and beverages firms in Nigeria is not statistically and significantly associated with account receivable period. 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.

CONCLUSION AND RECOMMENDATIONS

Liquidity management ensures that corporate entities have sufficient, regular and consistent cash flow to fund their activities. The essence of liquidity management for a company's existence is principally shown by its influence on financial costs reduction or growth, changes in the sales dynamic, as well as its influences on company risk level. This is because excessive liquidity implies there are idle funds earning low or no

profits for the firm. Alas, on the other side, paucity of liquidity in addition to thwarting the firm's profitability also brings about avoidable interruptions and inefficiencies in the manufacturing processes. Food and beverages firms that are unable to manage their liquidity positions appropriately goes into the problem of illiquidity. This illiquidity is highly risky and it creates a bad credit image, loss of creditors' confidence, high-cost emergency borrowing, unnecessary legal battles or even closure of the firm. The study found that only the negative effect of inventory conversion on return on assets was significant. The following recommendations were proffered by the researcher:

1. Managers should adopt good approaches to liquidity management process by agreeing shorter term payments, invoicing and investigating credit rating on a regular basis.
2. Management should minimize the inventory level so as to free the capital for other use.
3. Management should centralize and unify procurement process which gives the opportunity to follow and agree similar terms for several sales.

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