

Corporate Liquidity Management and Financial Performance of Conglomerate Firms in Nigeria (2010-2024)

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ABSTRACT: The research examined the effect of corporate liquidity management on the financial performance of conglomerate firms in Nigeria. The sample consists of four conglomerate firms listed on the Nigerian Stock Exchange for the period 2010-2024. The study adopted an ex-post facto research design and utilized panel data from four (4) firms, resulting in 60 observations. The research objectives were to assess the effects of the Working Capital Ratio, Quick Ratio, and Cash Ratio on profitability, as measured by Return on Equity (ROE). Based on these objectives, three hypotheses were formulated. Secondary data were employed, sourced from published online annual reports of the sampled firms. Data were analyzed using descriptive statistics, correlation analysis, and panel regression techniques. Results revealed that the Working Capital Ratio has a negative and insignificant effect on ROE; the Quick Ratio has a negative and significant relationship; and the Cash Ratio has a positive and significant relationship with the ROE of the sampled firms. The findings led to the conclusion that efficient liquidity management enhances firms' financial performance and positions firms for operational stability and financial sustainability. The study therefore recommends that conglomerate firms should periodically carry out performance analysis with respect to liquidity management.

KEYWORDS: Working Capital Ratio, Quick Ratio, Cash Ratio, Return on Equity

1.0 INTRODUCTION

Corporate liquidity remains one of the most critical aspects of financial management and determines a firm's ability to meet its short-term obligations as they fall due. Liquidity management involves maintaining an optimal level of current assets relative to current liabilities to ensure operational continuity and financial stability. Effective liquidity management enables firms to maintain smooth business operations while maximizing profit. Yahaya and Bala (2015) observe that maintaining an optimal level of liquidity is necessary to ensure business continuity and efficient financial performance.

Liquidity is generally measured using the Working Capital Ratio (WCR), Quick Ratio, and Cash Ratio (CAR). These indicators provide information about a firm's ability to meet short-term obligations and maintain operational efficiency. Studies have shown that effective liquidity management contributes significantly to organizational performance and sustainability (Ojeh et al., 2026). The stability of corporate liquidity is a complex issue, and the concept has attracted considerable attention in the corporate finance and accounting literature due to its potential influence on firm performance. Brigham and Houston (2019) opined that liquidity management is an important aspect of financial management because it ensures that organizations maintain sufficient cash and liquid assets to support business operations and avoid financial distress. Management of short-term finance entails efficient management of working capital. The issue involved in managing a firm's working capital concerns the management of the firm's inventory, cash, marketable securities, receivables, and payables in order to achieve a proper balance between risk and return (Harsh and Sukhdev, 2013). Great managerial skill is required to determine the proportion of current assets to be used for successful daily business operations.

Financial performance is a comprehensive evaluation of a company's overall standing across categories such as assets, liabilities, equity, expenses, revenue, and overall profitability (CFI Team 2023). According to Bhunia, Mukhuti and Roy (2011), financial performance is defined as a firm's overall financial health over a given period of time. Santos and Brito (2012) maintained that superior financial performance is a way to satisfy investors and can be represented by profitability, growth, and market value.

In Nigeria, conglomerate firms operate across diverse sectors of the economy and require substantial working capital to sustain their operations. Economic challenges such as inflation, exchange-rate fluctuations, and unstable business conditions have made

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liquidity management increasingly important for these firms (Adamu 2020). The study therefore investigates the impact of corporate liquidity management on the financial performance of conglomerate firms in Nigeria.

1.2 Statement of the Problem

In Nigeria, conglomerate firms operate across diverse sectors and are characterized by substantial working capital investments. These firms face unique liquidity management challenges arising from economic uncertainties, inflationary pressures, exchange rate volatility, and fluctuations in business cycles. Consequently, maintaining an optimal liquidity position has become increasingly important for sustaining profitability and long-term survival. These challenges adversely affect firms' liquidity positions and, in turn, influence their financial performance (Adamu 2020). Furthermore, limited studies have jointly examined the influence of the Working Capital Ratio, Current Ratio, and Cash Ratio on Return on Equity among Nigerian conglomerate firms. This study seeks to fill this gap.

1.3 Purpose of the Study.

The present study investigates effect of corporate liquidity management on financial performance of the conglomerate firms in Nigeria.

Specifically, the study is set to investigate:

- 1 The effect of Working Capital Ratio (WCR) ratio on Return on Equity (ROE) of conglomerate firms.
- 2 The effect of Quick Ratio (QR) on Return on Equity (ROE) of conglomerate firms
- 3 The relationship between Cash Ratio (CASHR) and Return on Equity (ROE) of conglomerate firms

1.4 Research Questions

The Following Research Questions were used for the study

- 1 What is the effect of Working Capital Ratio (WCR) ratio on Return on Equity of conglomerate firms
- 2 To what extent does Quick Ratio affect Return on Equity of conglomerate firms
- 3 What is the relationship between Cash ratio and Return on Equity of conglomerate firms

1.5 Research Hypotheses.

In the light of the stated objectives of the study we formulate the following hypotheses:

- H₀₁: There is no significant relationship between Working Capital Ratio and Return on Equity of conglomerate firms in Nigeria
- H₀₂: There is no significant relationship between Quick Ratio and Return on Equity of conglomerate firms in Nigeria.
- H₀₃: There is no significant relationship between Cash Ratio and Return on Equity of conglomerate firms in Nigeria.

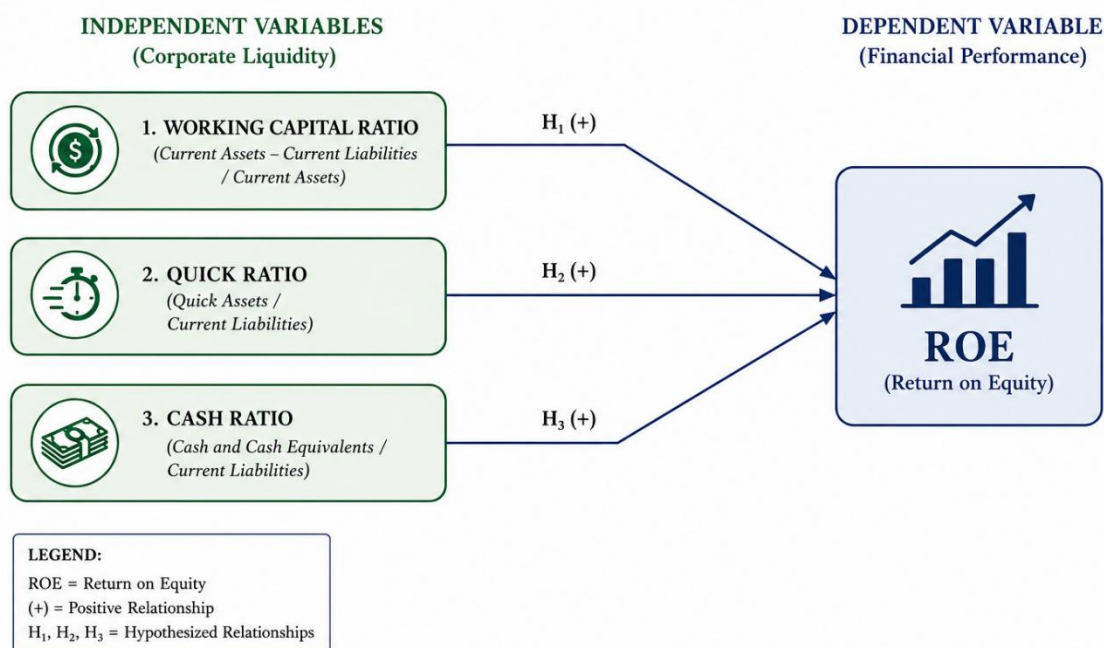
2.0 LITERATURE REVIEW

2.1 Components of Corporate Liquidity

Firms that maintain adequate liquidity are better positioned to finance daily operations, settle creditors' claims, and exploit investment opportunities. Conversely, inadequate liquidity exposes firms to financial distress, while excessive liquidity results in idle resources that reduce profitability. The ever-growing need for business development, growth, and expansion in today's business environment has necessitated managers to consider more advanced management strategies targeted at improving decision-making in organizations. Accounting information is an essential tool in the hands of managers striving to maintain a competitive advantage amidst rapid technological advancement, increased awareness, and challenging demands from customers (Amos and John 2021). The study presents a diagrammatic conceptual framework of corporate liquidity and financial performance, with special emphasis on the relationship between the dependent variable ROE and the independent variables, WCR, CASHR, and QR.

CONCEPTUAL FRAMEWORK

CORPORATE LIQUIDITY AND FINANCIAL PERFORMANCE OF CONGLOMERATE FIRMS



Indicators of Corporate Liquidity and Financial Performance

Indicators of corporate liquidity used in this study, namely the Working Capital Ratio (WCR), Quick Ratio (QR), and Cash Ratio (CAR), provide useful insight into a firm's liquidity position in relation to its financial performance. Saleem and Rehman (2011) observe that every stakeholder has an interest in a company's liquidity position. Similarly, Akinleye and Ogunleye (2019) report that liquidity measures contribute positively to financial performance among Nigerian firms. Financial performance is a comprehensive evaluation of a company's overall standing across categories such as assets, liabilities, equity, expenses, revenue, and overall profitability (CFI Team, 2023). Santos and Brito (2012) argue that superior financial performance satisfies investors and is represented by profitability, growth, and market value. Return on Equity (ROE) measures the effectiveness of management in generating returns from shareholders' funds and reflects the efficiency with which management uses those funds to generate profits.

Working Capital Ratio and Return on Equity

The Working Capital Ratio (WCR) is a measure of corporate liquidity that assesses a firm's ability to meet its short-term obligations using its current assets. The ratio is calculated by dividing total current assets by total current liabilities and provides information about a firm's financial health and its ability to sustain smooth daily operations with sufficient cash flow (Brigham & Houston, 2019). A ratio greater than one indicates that a firm has sufficient current assets to cover its short-term liabilities, while a ratio below one suggests potential liquidity challenges. The significance of the Working Capital Ratio lies in its ability to indicate the extent to which a firm can maintain smooth business operations. Firms with adequate working capital are better positioned to purchase inventory, meet wage obligations, pay suppliers promptly, and respond to unforeseen business opportunities. A firm grants trade credit to protect its sales from competitors and to attract potential customers to buy its products on favourable terms (Onuora and Ifencho, 2017). Accounts payable management refers to the set of policies, procedures, and practices employed by a company with respect to the management of its trade credit purchases. The relationship between the Working Capital Ratio and financial performance has received considerable attention in the finance literature. Deloof (2003), as cited in Zariyawati, Annur Taufiq and Abdul Rahim (2009), observed that efficient working capital management enhances corporate profitability by reducing financing costs and improving operational efficiency. Since Return on Equity (ROE) measures the profitability generated from shareholders' investments, effective working capital management is expected to improve ROE by ensuring efficient utilization of resources and uninterrupted business operations.

Cash Ratio and Return on Equity

The Cash Ratio is a liquidity metric that evaluates a company's ability to meet current liabilities using only cash and cash equivalents. It is calculated as cash and cash equivalents divided by current liabilities. The ratio provides insight into the firm's

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immediate liquidity position. The relationship between the cash ratio and ROE is often explained by the liquidity-profitability trade-off theory. Maintaining adequate cash reserves ensures operational stability and protects firms from liquidity crises. However, excessive cash holdings may reduce profitability because idle cash does not generate substantial returns. Ross (2019) opined that firms should maintain an optimal cash balance to meet obligations while avoiding excessive idle funds. Adequate cash liquidity supports investment opportunities and improves operational flexibility, thereby enhancing profitability and shareholder value. This posits that firms need to adopt effective cash management policies to achieve an optimal balance between liquidity and shareholder returns.

Quick Ratio and Return on Equity

The Quick Ratio (QR) measures a firm's ability to meet short-term obligations using its most liquid assets without relying on the sale of inventory. It is considered a more stringent measure of liquidity than the current ratio because it excludes inventory and prepaid expenses, which may not be readily convertible into cash. The Quick Ratio is calculated as: $(\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current Liabilities}$. A quick ratio of 1:1 is generally regarded as satisfactory because it indicates that a firm possesses sufficient liquid assets to cover its current liabilities as they become due. A ratio below one may suggest liquidity difficulties, while a ratio significantly above one may indicate excessive idle liquid resources that could otherwise be invested in profitable business activities (Brigham and Houston, 2019). The concept of the quick ratio is rooted in the need for firms to maintain adequate liquid resources to ensure smooth business operations. Saleem and Rehman (2011) documented that liquidity indicators, including the quick ratio, play a significant role in determining firm profitability because they influence the firm's ability to manage short-term obligations efficiently. Adequate liquidity ensures uninterrupted operations, timely settlement of debts, and improved stakeholder confidence, all of which contribute to enhanced profitability. Since Return on Equity (ROE) measures the ability of firms to generate profits from shareholders' investments, the quick ratio is expected to influence ROE by determining the extent to which firms can efficiently manage their short-term obligations and liquid resources. Firms that maintain optimal quick ratios are more likely to achieve improved operational efficiency and profitability, thereby enhancing shareholders' returns. Therefore, the Quick Ratio remains an important liquidity indicator for evaluating the financial health and performance of conglomerate firms.

2.2 Theoretical Review

Liquidity Preference Theory

The Liquidity Preference Theory, developed by Keynes (1936), explains why firms hold liquid assets. The theory suggests that firms hold liquid resources for transaction, precautionary, and speculative motives. According to the theory, adequate liquidity enables firms to meet operational requirements and respond to unexpected contingencies. The theory posits that firms prefer to hold liquid assets, such as cash and other current assets, to meet operational needs, unexpected contingencies, and future investment opportunities. The theory emphasizes that adequate liquidity enables firms to satisfy short-term obligations, maintain operational stability, and reduce the risk of financial distress. This, therefore, emphasizes that firms that maintain sufficient liquidity are more likely to operate efficiently and achieve improved financial performance.

Link to the Study: Liquidity Preference Theory is relevant to the current study because it explains why conglomerate firms hold liquid assets, including working capital, cash, and other current assets. The variables Working Capital Ratio (WCR), Cash Ratio (CAR), and Quick Ratio (CR) are measures of liquidity that indicate a firm's ability to meet short-term obligations. Thus, the theory provides a basis for examining the effect of corporate liquidity on the financial performance of conglomerate firms in Nigeria.

Trade-Off Theory of Liquidity and Profitability

The Trade-Off Theory of Liquidity and Profitability argues that firms must maintain an optimal level of liquidity that balances risk and return. Excessive liquidity reduces profitability, while inadequate liquidity increases financial risk. The theory holds that firms must balance liquidity and profitability. Adequate liquidity reduces financial risk and ensures smooth business operations, whereas excessive liquidity leads to idle resources that generate little return. Conversely, insufficient liquidity may increase profitability in the short run but exposes firms to financial distress and operational disruptions. The theory therefore advocates an optimal level of liquidity that maximizes shareholder wealth and profitability.

Link to the Study: The Trade-Off Theory is particularly relevant to this study because it directly explains the relationship between liquidity measures and financial performance. The theory suggests that maintaining optimal liquidity levels will improve profitability and shareholders' returns, whereas excessive or inadequate liquidity may adversely affect financial performance. Consequently, the theory provides the primary framework for understanding the expected relationship between corporate liquidity and ROE in this study.

2.3 Literature Review

Akinleye and Ogunleye (2019) examined the relationship between liquidity and profitability among manufacturing firms in Nigeria. The study specifically analyzed the effects of the cash ratio, current ratio, and quick ratio on profit after tax. Secondary data were sourced from the annual reports of sampled firms spanning ten years (2007-2016). The data were analyzed using panel data estimators, including pooled OLS, fixed-effects, and random-effects models. The findings revealed that the quick ratio (QR) had a negative and insignificant impact on profit after tax, while the cash ratio (CR) exerted a positive and significant impact on profit after tax. The current ratio (CNR) also exerted an insignificant negative impact on profit after tax.

Iqbal and Jahangir (2019) conducted research on the relationship between liquidity and firm profitability using data from cement companies listed on the Dhaka Stock Exchange Ltd in Bangladesh. The study used annual data for 6 companies over the period 2013-2017. The relationship between liquidity and firm profitability was examined using Pearson's correlation analysis. The dependent variables were return on assets (ROA) and return on equity (ROE), while the independent variables were the current ratio (CR), quick ratio (QR), and the cash conversion cycle. Results revealed a relationship between liquidity and profitability. The cash conversion cycle had a strong negative relationship with all the profitability ratios (NPM, ROA, and ROE), while the liquidity ratios (CR and QR) had positive relationships with all profitability ratios of the cement industries in Bangladesh.

Olaoye (2020) carried out a study on the impact of liquidity management on the profitability of selected food and beverage firms in Nigeria. Secondary data were sourced from the annual reports of selected firms for the period 2014-2018. Data were analyzed using multiple regression and correlation analyses. The results of the study show that the current ratio, current assets/total assets ratio, and working capital ratio have no impact on the return on capital employed. This study concludes that changes in the liquidity position do not have a significant positive effect on the profitability of the selected firms.

Ikpefan, Ochei, Ikpefan, and Owolabi (2020) conducted a study on the relationship between working capital management and profitability, using Nestle Nigeria Plc and Cadbury Nigeria Plc as case studies. The study employed correlation and regression analyses to examine the relationships among the variables. The quick ratio was used to measure liquidity, and the current ratio, trade receivable collection period, and trade payables payment period were used as efficiency variables to capture the working capital management policy adopted by these companies, while return on equity was used as the profitability variable. The study revealed a negative relationship between liquidity, two of the efficiency ratios, and return on equity for Nestle Nigeria Plc, while it found a positive relationship between liquidity, efficiency performance indicators, and the return on equity of Cadbury Nigeria Plc.

Ambrose, Martin and Dave (2017) conducted a study on efficient working capital management as a tool for driving profitability and liquidity. The study focused on the role of working capital management in driving organizational profitability and ensuring adequate liquidity levels for the period 2002-2011. The data were analyzed using ANOVA. The study established a negative relationship between the cash conversion cycle and both gross and net operating profit. The results indicate a positive relationship between the current ratio and both gross and net operating profit, suggesting that liquidity and profitability reinforce each other rather than the trade-off anticipated by traditional working capital management theory.

Madushanka and Jathurika (2018) investigated the relationship between liquidity and profitability using 15 manufacturing companies listed on the Colombo Stock Exchange over the period 2012 to 2016. Correlation, regression analysis, and descriptive statistics were used in the analysis. The findings revealed that the liquidity ratio (quick ratio) is positively and significantly related to firm profitability. The research recommended that manufacturing companies should pay more attention to liquidity ratios, as they have a significant impact on the profitability of firms.

2.4 Gap in Literature

Despite the extensive literature on corporate liquidity and financial performance, empirical gaps remain. Existing studies have largely focused on manufacturing firms, banks, and consumer goods companies, while limited research has examined conglomerate firms in Nigeria. Specifically, there is limited evidence on the combined effects of the working capital, quick, and cash ratios on Return on Equity (ROE) among Nigerian conglomerate firms. Additionally, many studies were conducted in foreign economies whose institutional and economic environments differ from Nigeria. Consequently, this study seeks to fill these conceptual, sectoral, and geographical empirical gaps by examining the effect of corporate liquidity, measured by the working capital, quick, and cash ratios, on the financial performance of listed conglomerate firms in Nigeria.

3.0 METHODOLOGY

3.1 Research Design

The study adopted a descriptive and ex post facto research design and therefore relies on already existing audited financial reports of the sampled firms.

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3.2 Population and Sample Size

The population consists of all conglomerate firms listed on the Nigerian Exchange (NGX). A purposive sampling technique was used to select only those conglomerates with complete, audited financial statements for the period under study, 2010–2024, and whose financial statements are published online.

3.3 Data Collection Methods

The study relied on secondary data extracted from the annual reports and accounts of the selected listed conglomerates for the period 2010 to 2024.

3.4 Model Specification

A linear relationship was established using Panel Least Squares (OLS) regression analysis to determine the relationship between Return on Equity (ROE) and the three independent variables, Working Capital Ratio (WCR), Quick Ratio (QR), and Cash Ratio (CASHR). The model is presented as follows: $ROE = \{WCR, QR, CASHR\}$.

The model is expressed in the econometric form below:

$$ROE = \beta_0 + \beta_1 WCR + \beta_2 QR + \beta_3 CASHR + U_t$$

Where:

β_0 = Intercept of the model

$\beta_1, \beta_2, \beta_3$ = Parameter Estimates

ROE = Return on Equity

QR = Quick Ratio

CASHR = Cash Ratio

WCR = Working Capital Ratio

U_t = Error term

3.5 Method of Data Analysis

The data were analyzed using panel regression techniques that combined cross-sectional and time-series data. This approach was considered suitable because it allowed for the examination of variation across firms and over time. The analysis employed descriptive statistics to summarize the data, correlation analysis to examine inter-variable relationships, and panel regression analysis using both Fixed Effects and Random Effects models. Furthermore, the Hausman test was conducted to determine the most appropriate model for the study, ensuring the robustness and reliability of the results. The E-view 13 Econometric software was used to analyze the collected data.

Model Justification

Panel regression was justified because it captured both cross-sectional and time-series variation, making it more robust than simple regression techniques. Previous studies had successfully applied similar models to examine the relationship between dividend policy and share price volatility (Koleosho et al., 2022; Amalikenemechi et al., 2025).

4.0 RESULTS AND DISCUSSIONS

Descriptive Statistics

The descriptive properties of the variables were analyzed using Table 4.1 below. The descriptive statistics indicate that the sampled conglomerate firms recorded an average Return on Equity of 14.62%, suggesting satisfactory financial performance. The liquidity measures showed average values of 7.84 for Working Capital Ratio, 0.94 for Cash Ratio, and 1.37 for Quick Ratio, indicating generally adequate liquidity positions. The low standard deviation values of 0.001036, -0.364587, 9.51E-16, and -5.81E-17 across the variables of the study, ROE, WCR, CASHR, and QR, revealed limited variation among firms. Furthermore, the Jarque-Bera test confirms that all variables are normally distributed. This is considering the fact that all the probability values 0.445819, 0.269887, 0.333149, and 0.299417 are above 0.05, making the data suitable for subsequent panel regression analysis.

Table 4.1: Descriptive Statistics of Variables

Variable	Obs.	Mean	Median	Max.	Min.	Std. Dev.	Jarque– Bera Prob
ROE	60	14.61800	14.61500	17.42000	11.82000	0.001036	0.445819
WCR	60	7.867040	7.867040	8.221479	7.313220	-0.364587	0.269887
CASHR	60	0.935000	0.935000	1.120000	0.750000	9.51E-16	0.333149
QR	60	1.370000	1.370000	1.640000	1.100000	-5.81E-17	0.299417

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Correlation Analysis

The correlation table in 4.2 revealed a positive coefficient of 0.2974 between the working capital ratio and return on equity. This indicates a weak positive association, suggesting that improved working capital management may contribute to better financial performance among conglomerate firms. The cash ratio showed a weak but positive relationship with return on equity, with a coefficient of 0.1251. This reveals that the cash ratio contributes marginally to firms' ROE. The quick ratio demonstrates a weak but positive relationship with return on equity, as indicated by a correlation coefficient of 0.1841. This implies that an increase in the company's ability to meet short-term obligations through liquid assets may contribute marginally to improved shareholders' returns.

Table 4.2: Correlation Matrix

Correlation	ROE	WCR	CASHR	QR	
ROE	1.000000				
WCR	0.297418	1.000000			
CASHR	0.125087	0.020417	1.000000		
QR	0.184080	0.030175	0.012700	1.000000	

Multicronality Test

The results in Table 4.2 show that the correlation coefficients among the explanatory variables are substantially below the threshold of 0.80. Specifically, the Working Capital Ratio ($r = 0.2974$), Cash Ratio ($r = 0.1251$), and Quick Ratio ($r = 0.1841$) are all below this threshold. This indicates the absence of multicollinearity, suggesting that the variables are suitable for panel regression estimation.

Hausman Test

Table 4.3 Hausman Test Result

Test	Chi-Sq. Statistic	Prob.
Hausman Test	0.00000	1.000

Table 4.3 presents the result of Hausman test. Meanwhile, the result shows the chi-square value of 0.00000 alongside the probability value of 1.0000; thus, it stands that among the two estimators (fixed effect model and random effect model), the random effect estimates presented in Table 4.4 are the most efficient and consistent estimates that can track the true nature of the nexus between liquidity and ROE.

Panel Regression Results (Random Effects Model)

Table 4.4: Regression Results: Dependent Variable ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.722911	0.082173	8.797440	0.0000
WCR	-0.014756	0.014608	-1.010122	0.3168
CASHR	59.23956	0.113305	522.8334	0.0000
QR	-30.20304	0.071938	-419.8460	0.0000
Model Summary				
Statistics	Values			
R-squared	0.999996			
Adjusted R-squared	0.999996			

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F-statistic	4385613.
Prob (F-statistic)	0.000000
Durbin-Watson	1.976148

As presented in Table 4.4, the regression results revealed that the constant term was positive and statistically significant ($\beta = 0.722911$, $p < 0.05$). The coefficient of 0.722911 and the probability value of 0.000 for the constant parameter indicate that, in the absence of explanatory variables, Return on Equity (ROE) would still exist due to other underlying factors not captured in the model. The coefficient of determination ($R^2 = 0.9999$) shows that approximately 99.9% of the variation in ROE was explained by the independent variables WCR, CASHR, and QR included in the model. The adjusted R^2 value of 0.9999 further confirms the goodness of fit of the model after adjusting for the number of predictors. The F-statistic of 4385613 with a probability value of 0.000 indicates that the overall model was statistically significant. Additionally, the Durbin-Watson statistic of 1.9761 suggests the absence of autocorrelation, confirming the reliability of the model estimates.

The results further showed that the Working Capital Ratio (WCR) had a negative and statistically insignificant effect on ROE ($\beta = -0.014756$, $p = 0.1368$). This implies that an increase in WCR reduces ROE. The probability value of 0.1368, which is higher than 0.05, indicates an insignificant relationship. The finding supports acceptance of the null hypothesis (H_{01}) and suggests that the Working Capital Ratio has an insignificant effect on ROE. The result is consistent with the findings of Olaoye (2020), who reported an insignificant positive effect of the Working Capital Ratio on return on capital employed. According to Brigham and Houston (2019), efficient management of working capital enhances operational efficiency and profitability by reducing financing costs and maintaining business continuity. Firms that maintain optimal working capital levels are more likely to improve shareholder returns. Also, Ikpefan, Ochei, Ikpefan, and Owolabi (2020) reported a negative relationship between liquidity and return on equity for Nestle Nigeria Plc.

The coefficient for the Quick Ratio (QU) is negative and statistically significant ($\beta = -30.20304$, $p = 0.000$). The negative coefficient indicates that a higher Quick Ratio decreases ROE. The relationship is significant, with a p-value of 0.000, which is less than 0.05. Consequently, the null hypothesis (H_{02}) was rejected. The finding is inconsistent with Madushanka and Jathurika (2018), whose research revealed that the liquidity ratio (Quick Ratio) is positively and significantly related to firm profitability. However, the present research found a negative but significant relationship. Theoretically, the Trade-Off Theory of Liquidity and Profitability posits that firms must maintain an optimal level of liquidity that balances risk and return. Excessive liquidity reduces profitability, while inadequate liquidity increases financial risk. The theory therefore advocates an optimal level of liquidity that maximizes shareholder wealth and profitability, which also emphasizes an optimal level of the Quick Ratio.

Results in Table 4.4 further revealed that Cash Ratio (CASHR) had a positive and statistically significant effect on ROE ($\beta = 59.23956$, $p = 0.0000$). This indicates that a higher Cash Ratio contributes significantly to ROE, thereby enhancing firm performance. Based on this result, the null hypothesis (H_{03}) was rejected. This finding is in line with Akinleye and Ogunleye (2019), who found that Cash Ratio (CR) exerted a positive and significant impact on profit after tax. In view of Ross (2019), firms should maintain an optimal cash balance to meet obligations while avoiding excessive idle funds. Adequate cash liquidity supports investment opportunities and improves operational flexibility, thereby enhancing profitability and shareholder value. The finding is also in consonance with Liquidity Preference Theory, which posits that firms prefer to hold liquid assets such as cash and other current assets to meet operational needs, unexpected contingencies, and future investment opportunities. The theory emphasizes that adequate liquidity enables firms to satisfy short-term obligations, maintain operational stability, and reduce the risk of financial distress.

CONCLUSION AND RECOMMENDATION

In conclusion, efficient liquidity management enhances a firm's performance and serves as a pathway to continuity and the efficient conduct of business activities. The findings of this work lead to the conclusion that liquidity is fundamental to the financial performance of Nigerian conglomerates, but its impact on profitability is not uniform. The positive significance of the Cash Ratio highlights the necessity for immediate liquid assets, whereas the negative implications of the Quick Ratio suggest that current methods of managing receivables and short-term assets are inefficient. The lack of significance of the Working Capital Ratio highlights the limitations of using broad accounting proxies in assessing corporate liquidity rather than the strategic composition of liquid assets. To maximize shareholder wealth (ROE), firms must transition from traditional, broad-based liquidity management to a targeted, cash-centric approach that minimizes the opportunity costs associated with tied-up capital.

RECOMMENDATIONS

1. Conglomerate firms should prioritize maintaining sufficient cash and marketable securities to enhance liquidity. This enables them to meet short-term obligations promptly and take advantage of emerging market opportunities while minimizing reliance on external sources of finance.
2. Conglomerate firms should periodically conduct performance analysis with respect to liquidity management.
3. The Cash Conversion Cycle (CCC), which measures the time between paying for inventory and receiving cash from sales, should be adopted by conglomerate firms. This metric provides a more dynamic view of operational efficiency.
4. Liquidity management should not only be a routine accounting task but also a core agenda item for the Board of Directors.

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Table 4.4 Dependent Variable: ROE				
Method: Panel Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
WCR	-0.014756	0.014608	-1.010122	0.3168
CASHR	59.23956	0.113305	522.8334	0.0000
QR	-30.20304	0.071938	-419.8460	0.0000
C	0.722911	0.082173	8.797440	0.0000
R-squared	0.999996	Mean dependent var		14.61800
Adjusted R-squared	0.999996	S.D. dependent var		1.370113
S.E. of regression	0.002901	Akaike info criterion		-8.782915
Sum squared resid	0.000471	Schwarz criterion		-8.643292
Log likelihood	267.4875	Hannan-Quinn criter.		-8.728301
F-statistic	4385613.	Durbin-Watson stat		1.976148
Prob(F-statistic)	0.000000			



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