

Innovations

Liquidity Management Effects on Manufacturing Performance During Recession Period in Nigeria

Ejima Sinon Ndubuisi¹, Ikpefan Oche Ailemen², Itai Monday Muktar³

¹Department of Banking & Finance, Caleb University, Imota, Lagos State, Nigeria

²Department of Banking & Finance, College of Management and Social Sciences, Covenant University, Ota, Ogun State, Nigeria

orcid- 0000-0003-0532-4234

³Department of Business Management, College of Management and Social Sciences, Covenant University, Ota. Ogun State, Nigeria

orcid. 0009-0005-4733-1346

* Correspondence Author: [Ejima Sinon Ndubuisi](#)

Abstract: *The research examines the role of liquidity management on the performance of Nigeria's manufacturing sector during the recession from 2014 to 2023. Data was gathered from the audited financial statements of Dangote Sugar, Dicon Salt, Unilever, Nestle, and Cadbury, chosen from Faster Capital's "Top 20 FMCG Companies in Nigeria" list (October 21, 2022). Using an Autoregressive Distributive Lag model, the study analyzed the data after ensuring its stationarity. Liquidity was measured by the current asset ratio and net working capital asset ratio, while return on assets (ROA) represented performance. Findings revealed that past liquidity management strategies significantly influenced profitability more than current strategies. Thus, emphasizing the importance of previous years' liquidity and funding mix for better performance. An increase in the prior year's current ratio reduced profitability, whereas a higher working capital to assets ratio positively impacted performance. The study recommends manufacturing companies adopt a robust risk management strategy, focusing on asset-liability management and balancing earning and non-earning assets for improved performance.*

Keywords: *current ratio, networking capital asset ratio, non-earning assets, risk management*

1 Introduction

Nigeria's economy within various periods of the years entered into different stages of recession due to varying determining factors ranging from a glut in oil reserves, a fall in oil prices, a high inflation rate, and others in the economy. During this period, there is a scarcity of resources and high cost of production due

to volatility in the exchange rate and non-availability of adequate cash flows for smooth operations of business activities. David (2023) in Investopedia tried to define a recession as a period of continuous contraction in business activities that is widespread over two consecutive quarters with a drop in the country's GDP. This, in turn, significantly affects credit availability, unemployment, sales, rising bankruptcy cases, and other economic shutdown syndromes.

Liquidity is seen as the bloodstream and life wire of every organization for the survival and continuity of the business empire. A manufacturing company is liquid when it has adequate liquid assets components like cash balances, and can also raise resources from various sources to meet its due obligations and commitment as a going concern. Eze and Ringim(2022) stressed that Liquidity management is a direct link to the management of working capital components i.e.; inventories, cash and cash equivalents, and short-term/current liabilities.

Manufacturing firms on the other hand are heavily engaged in transformation, conversion, and production activities from raw materials to finished goods which is routine with the availability of warehousing facilities and logistics for effective performance. It is, therefore, significant to mention here that given the importance of liquidity in the life of every organization's survival, manufacturing sectors that are heavily linked with routine processes of conversion and cost implications are of high consideration for effective liquidity management for higher performance, especially in the face of recessionary and economic downturn period (Abushammala&Sulaima, 2014).

The recession period is bewildered by tough economic challenges and conditions with scarcity and paucity of liquidities within the economy which sometimes may result in incessant closures of factories and major outlets due to skyrocketing overhead cost implications. It is therefore imperative to examine the survival mix of the Nigerian manufacturing companies in the face of all these uncertainties especially in the area of their liquidity management, which is the life wire of every business entity in driving profitability/performance. This view was also supported by Dadepo and Afolabi (2020) in their submission where they opined that most businesses during a recession strive very hard to strategically find a balanced mix between liquidity and profitability for continuous concerns in their production activities less they go out of business. Based on the fall out of the above circumstances and the prevailing condition in Nigeria as reviewed by many researchers, the research study intends to dig deep into the aspect of liquidity management that drives further production after meeting due obligations in the form of working capital asset ratio for a new dimension and perspectives in liquidity management by the manufacturing companies in driving performance and profitability.

To examine the effect of liquidity management on the profitability of manufacturing companies during the recession period with major emphasis on these two broad objectives:

- i. to investigate the effects of current ratios on the profitability of manufacturing companies.
- ii. to determine the role and relationship between (net working capital ratio) working capital to total assets ratio on the performance of manufacturing companies in Nigeria

The study hypothesises as follows:

H₁:The current ratio does not have any significant influence on manufacturing profitability or performance in Nigeria
H₂:Net working capital ratio does not significantly influence the performance of manufacturing companies in Nigeria.

2. Literature review

The underlying theory for this study centered on the free cash flow theory propounded by Jensen (1986) and the pecking order by Myers (2001). This theory according to Jensen (1986), expresses free cash flows as the amount of funds outstanding or left after all major projects and obligations have been met. It is a link between the agency theory and the pecking order theory. Free cash flow serves as a cautionary metric, warning against excessive exposure to liquidity risk, which can negatively impact the firm's performance. This reflects the importance of managing liquidity carefully to maintain financial health. On the other hand, shareholders often prefer that management reduces free cash flow. This preference arises because excess free cash flow can be misused by management if not allocated effectively into profitable investment opportunities. Modigliani and Miller (1963) explored this dilemma, suggesting that management's inability to identify and pursue profitable investments could lead to underutilization of free cash flow. Moreover, FCF is viewed favourably as a cheaper source of capital compared to external financing options such as equity issuance or taking on debt. This underscores its potential role in enhancing profitability by lowering financing costs. Overall, the strategic importance of balancing free cash flow management to mitigate liquidity risks while ensuring its efficient deployment for maximizing shareholder value through profitable investments (Reddy, 2015).

Pecking Order Theory

Donaldson (1961) was the first initiator of this theory, which was later modified by Myers & Majluf (1984) introduced the effect of information asymmetric as a determining factor on the cost of financing a firm. The thrust of this policy is anchored on the preference for sources of financing for a firm which they preferred internal sourcing via retained earnings rather than external sources emanating from either debt or equity. The financing preferences are ranked in the following order; internal (retained earnings), debt, and lastly equity. The main crux is the application of the cheapest funds available for corporate operations to drive corporate performance and profitability.

Liquidity Management Strategy

The word liquid in literal terms means adequate cash flow, thus liquidity from this standpoint of the researcher shall be construed as the ability of a firm or corporate individual to be able to plan adequately for the company cash flows for the day-to-day operations /activities of the company without any hindrances or hiccups. Cash is seen as the life wire of every business entity, thus, the need for a robust attention and planning for its effectiveness and efficiency. Pavlina (2024) in her post on Liquidity management strategy from Padiaschool stressed the importance of liquidity management by asserting that the basic rudiment of liquidity management is to maintain a long-term balance mix between revenue and cost of operations in every given organization. She further emphasizes the need for an Ideal set of workable itineraries and plans that can fit into various periods, situations, and conditions at every critical case based on varying scenario analyses. This in turn shall ensure timely and prompt payment of all due liabilities void of excess idle cash unutilized or shortages that may stiffen the operational activities of the company.

strategic liquidity management is a proactive approach that aims to optimize cash utilization while maintaining financial resilience and enhancing overall corporate performance. A recession period is however a case of cash scarcity that requires higher skills and cash management strategy to ensure optimal resource allocation with the adequate mix that could keep the company operations going with lesser cost of funds in meeting all due obligations.

Current Ratio

This is often used as a proxy for liquidity measurement due to its ability to gauge the proportion of current assets over current liabilities of a given firm or organization. Nicks (2024) emphasizes the enduring relevance of the Current Ratio as a key tool for evaluating liquidity risk and the financial stability of companies across various industries. The study, however, stresses that the liquidity ratio in itself does not take into consideration some variables in the current assets that were used in computing the current ratio like inventory, prepayment, and others (Adegbe&Adesanmi, 2020).

Net working Capital ratio

This is also called the net current assets to total assets ratio. Nicks (2024) suggests that unlike the Current Ratio, which provides a broader view of a company's ability to cover short-term obligations with current assets alone, the Net Working Capital Ratio specifically highlights the relationship between total current assets and total current liabilities. This ratio is calculated by subtracting total current liabilities from total current assets. Brown (2022) underscores the ratio's role not only in assessing short-term liquidity but also in gauging the financial robustness of the business, highlighting its importance as a key financial metric for investors, creditors, and stakeholders alike. The net working capital ratio also forms part of

the Altman Z Score ratio that is used to test or as an indicator of financial distress or soundness. The ratio has a direct proportionate relationship with the Z score, the lower the value, the more financially distressed the business is considered to be.

Liquidity and Profitability Nexus

Liquidity and profitability goal is a great dilemma faced by many managers or owners of businesses in keeping the company moving as a going concern. Each decision by the manager has a greater impact on the firm's value. Thus, the firm is faced with the decision of keeping adequate liquidity to meet its dues or obligations when due and also faced with the need to exert enough risk in increasing investment with lower liquidity to drive higher profitability. Thus, the firm is faced with three factors; effective risk management, cost minimization, and optimal mix of liquidity management of working capital. Thus, this trade-off could be likened to a survival strategy mix that is a must for every sound manager and business owner (Yusuf, Nwifo, & Chima, 2019).

Ukaegbu (2014) emphasizes that financial experts are concerned with the primary objective of working capital management, which is to optimize the efficiency of a firm's operations. This optimization aims to maximize profits while simultaneously ensuring the firm can meet its short-term debt obligations and future operational expenses. He posited in contrast against the known assumption of the strongly believed myths of a negative relationship between profitability and liquidity that holds the tenets that profitable firms may experience liquidity challenges and vice versa, rather professed the optimal mix between the two variables for the optimal goal of the firm value. He rather introduces negative net working capital as a firm's efficiency parameter in today's business palace. Bolek, Pluskota, and Wolski (2020) on the other hand opined that Profitability and liquidity do influence firm value directly, in which case, its maximization is based on the trade-off between optimal earning capacity and minimizing the cost of capital concerning inherent risk or uncertainty in the business cycles.

Historical perspective of recession in Nigeria

Economic recession in some quarters may be likened to an economic downturn or meltdown due to harsh economic conditions for all component units of the economy ecosystem i.e. high hyperinflation everywhere, social-economic crisis – kidnapping, social menace, business shutting down, high rate of unemployment, and so on. The scenarios painted here have been the main thrust of the last administration (Buhari) and persist up to this period of President Bola Tinubu. [Ehime.](#) (2024) in his investigative journalism highlighted some critical indicators for a recession like a declining growth rate (GDP), inflation menace with unstable treasury bill and deposit rate, price level fluctuation in all spheres of the commodity market, product, and money market, socio-economic perspective – poverty, health challenges, worsening consumer apathy, a decline in per capita

income and other. Based on the aforementioned set criteria for recession identification, it is, therefore, an aberration to declare a recession only when there are consecutive declines in GDP, but must be verified or declared even when the GDP is growing but other indicators are nose-diving backward (Adesina, & Olatise, 2020).

Mba (2021) carried out the historical trends of recession in Nigeria and confirmed that Nigeria has entered into recession since independence eight (8) times ranging from 1967, 1975, 1978, 1981, 1982, 1983, 2016, and 2020 respectively. He therefore adduced that over-dependence on oil revenue, fiscal indiscipline/rascality, endemic corruption, inconsistencies in policies, and policy conflict between monetary, political/social unrest, and fiscal policy.

Empirical review

Bolek, Pluskota, and Wolski's (2020) carried out a comparative analysis of how firms balance liquidity and profitability across different markets of the Warsaw Stock Exchange. It concluded that there exists a trade-off between maximizing profitability and maintaining sufficient liquidity, influenced by the firms' strategies for value maximization and bankruptcy prevention. The study highlights that firms generally prioritize profitability within a framework that ensures adequate liquidity, reflecting a prudent financial strategy aligned with both investor expectations and operational resilience. On the other hand, Imeokparia and Oyetunji (2021) in their article investigated the effect of liquidity management on the performance of manufacturing firms in Nigeria with a sample of ten (10) listed manufacturing companies in the NSE covering the period 2010 and 2019 using ordinary least square and Pearson correlation coefficient techniques. The duo combined Cash ratio, Quick ratio, and net working capital ratio as a proxy for liquidity management while profit after tax was used as a proxy for financial performance. The study shows that the current ratio and cash ratio have an insignificant negative relationship with manufacturing performance while the quick ratio on the other hand posits a positive and insignificant relationship to manufacturing performance in Nigeria. This invariably means that they do not have a stronghold in determining the performance of manufacturing firms in Nigeria.

Joash (2021) in his Master's thesis examined a research study on the effect of liquidity management on the efficiency of listed manufacturing companies in the Nairobi security exchange between 2012 and 2021 using regression analysis. The researcher used cash ratio, current ratio, account receivable ratio, and account payable ratio together with the age of a firm as the independent variables while, inventory turnover ratio, was used as a proxy for manufacturing efficiency. The study was able to establish that the account receivables ratio and age of the firm did not have any significant influence on manufacturing efficiency. It is however observed that the current ratio and account payable ratio have a positively

significant effect on the manufacturing efficiency with inventory period with negative influence.

Uwuigbe, Uwalomwa, and Egbide (2012) in their articles on Cash Management and Corporate Profitability: A Study of Selected Listed Manufacturing Firms in Nigeria within the period between 2005 and 2009 with a sample of fifteen (15) manufacturing companies listed in the stock exchange. The study employed Pearson's correlation and regression analysis techniques for the assessment of the data. It was observed that the cash conversion cycle and profitability have a negatively significant relationship.

Shafique, Farhan, and Sahabia (2018) reaffirmed the significance of working capital management in enhancing profitability. They conducted a study to investigate its impact on the profitability of Pakistan's pharmaceutical sector from 2011 to 2016. The study used the current ratio, cash conversion cycle, and current assets to total assets as independent variables to measure working capital management or liquidity, with total assets representing corporate profitability. The researchers employed panel data regression analysis and it was observed that the duo of current ratio and cash conversion cycle have a significant relationship with the firm's profitability while current assets to total assets do not provide any significant influences at all. Faisal *et al.*(2024) the researchers conducted a study on liquidity management's impact on Nigeria's oil/gas sector performance within the period 2012 and 2021 using a purposive sampling method to select 5 listed companies for this data collection and analysis using descriptive and regression analysis techniques. The proxy for liquidity is the cash ratio, quick ratio, and current ratio, while the Return on Capital Employed stands as a proxy for oil and gas performance. The findings of the results revealed that the cash ratio and quick ratio posit a positive insignificant relationship with the firm performance while the current ratio on the other hand shows a rather negative and significant relationship with oil and gas performance over the period

Egiyi&Agu (2023) launched a study on the assessment and evaluation of liquidity management strategies in enhancing manufacturing firm's financial performance with a focus on current ratio, acid test, and operating cash flow ratio a case study of the consumer goods section of the manufacturing sectors. The study employed a two-stage least square (2SLS) regression analysis on data collection from five (5) companies selected randomly within the population. The findings show that the current ratio and the acid test ratio did not posit a significant influence on the firm's performance –the ROA.

Lamnerg and Valming (2009) conducted a study on the impact of liquidity management on profitability during financial crises, focusing on a sample of companies listed on stock exchanges. Exchanges. The study adopted a quantitative methodology and regression analysis to test the data collected from the sample framework. The study found that implementing liquidity strategies did

not significantly impact profitability as measured by ROA. However, increasing the use of liquidity forecasting and short-term financing during financial crises positively affected ROA. In essence, frequent monitoring and forecasting of liquidity levels, coupled with increased short-term investments, can lead to enhanced profitability. Omesa (2015) researched the effect of liquidity management on the financial performance of financial institutions listed at the NSE. The study depended on secondary data extracted from the audited financial statements of the selected banks between the periods 2011 to 2015. The study confirmed the existence of a negative relationship between liquidity management and a firm's financial performance represented by the ROA

Ehiedu (2014) investigated the impact of liquidity on the profitability of selected companies in Nigeria using correlation analysis. The study revealed that approximately 75% of the manufacturing companies examined demonstrated a significant positive correlation between the current ratio and profitability. The researcher deduced from its findings that the positive relationship between the current ratio and profitability is triggered by the piling of idle funds, especially when borrowed, it drives and creates additional profit and less cost in the business. On the other hand, the results show that 50% of the companies selected posit a rather significant negative correlation between the current ratio and profitability in this study. Ben-Caleb, Olubukunola, and Uwuigbe (2013) examined the relationship between liquidity and profitability among a sample of 30 manufacturing companies listed on the Nigeria Stock Exchange from 2006 to 2010. The findings indicate a positive association between the current ratio and liquid ratio with profitability. Conversely, the cash conversion period shows a negative relationship with the profitability of manufacturing companies. These results show a mixed finding.

The review of some of the related works of the literature shows a lot of controversy concerning the nexus between liquidity management and manufacturing performance or profitability which negate the postulated hypothesis of the trade-off relationship between them. It was observed in most of the works of literature reviewed the absence of time-variate responsiveness of these variables to each other to determine the exact relationship nexus for the manufacturing sector with varying liquidity forms and categories over the production process. The selection criteria of the sample size for most of the studies are also based on stratified and random sampling methodology rather than being scientifically based on judgemental sampling method with set criteria. This gap was covered and considered with the application of the panel ARDL model and factoring of cross-sectional analysis in the study for a better understanding of the nexus in various periods, mostly during the recession period taking into consideration the lags period.

3. Methodology and data

The study adopted an ex-post factor research design covering the period 2014 to 2023 as a continuous period of recession and economic downturn, of the top five (5) manufacturing companies listed in the Nigeria stock exchange based on market capitalization criteria for the judgemental random sampling selection. The data were extracted from the published audited financial statements of the top five manufacturing companies in Nigeria; Dangote Sugar, Dacon Salt, Unilever, Nestles, and Cadbury. The selection of these top five (5) manufacturing companies was based on the extract from the online publication by Faster Capital on Top 20 FMCG Companies in Nigeriadated October 21, 2022, this was also in consonance with the selection done by Egiyi and Agu (2023) in their research study done on the same topic. Although the scope of the study centered on the recession period that Nigeria has experienced such 8 times based on the implicit definition of eight (8) of negative GDP only. But for this study, we shall liken all periods of economic downturn and meltdown during the past administration till date to a recession period, because they all have three out of five indicators of a recession period stated parameters apart from negative GDP for subsequent quarters. The study employed a panel ARDL after conducting rigorous diagnosis tests where the variables exhibited mixtures of integrating order 1 and at levels respectively (as stated in the appendix) of data collected for normality, stationarity, and multi-collinearity against spurious results.

The major variables for this study are Liquidity and Manufacturing Performance. For this study, we adopted the current ratio and net working capital asset ratio as a proxy for manufacturing Liquidity management and Return on assets as the proxy for manufacturing performance respectively. The variables are all logged to guard against the possibility of outliers and spurious results.

The Model formulation was anchored on the free cash flow and pecking order theory of the adequate and optimal allocation of liquid cash for continuous operational value maximization.

$$ROA = \alpha + \beta_1 \log_CA + \beta_2 \log_WC + \mu$$

Where:

ROA = Return on Assets (Profit after Tax over Total Assets)

CA = Current Assets ratio (Current assets over current liability)- Ability of the company to meet their short-term obligation as at when due

WCA = Net working Capital asset ratio (Current Asset less current Liability divided by Total Assets)-excess of meeting short-term due and purchase of additional creative or productive assets that could drive profitability as at when required.

μ = Error terms for unexplained variables

Table 1-----Unit Root Test of the Variables

Variables	Stationarity	Remarks
LOG_ROA	I(1)	1ST DIFF
LOG_CA	I(0)	LEVEL
LOG_NWC	I(1)	1ST DIFF

Table 2 Lag Length selection Criteria

VAR Lag Order Selection Criteria						
Endogenous variables: LOG_CA LOG_ROA LOG_WC						
Lag	LogL	LR	FPE	AIC	SC	HQ
0	91.77996	NA	1.26E-06	-5.07314	-4.939825	-5.02712
1	112.3881	36.50581*	6.49e-07*	-5.736462*	-5.203199*	-5.552379*
2	115.7468	5.37E+00	9.09E-07	-5.414104	-4.480895	-5.091961
3	121.8712	8.75E+00	1.11E-06	-5.249781	-3.916625	-4.789576

Table 3-----Presentation of Estimated statistical results from Eviews version 9

Selected Model: ARDL(1, 2, 2)				
ROA				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
Long Run Equation				
LOG_CA	-0.55378	0.004957	-111.713	0
LOG_WC	1.44171	0.006912	208.5935	0
Short Run Equation				
COINTEQ01	-0.48874	0.294384	-1.66023	0.1104
D(LOG_CA)	-0.1374	0.383348	-0.35843	0.7233
D(LOG_CA(-1))	-0.33572	0.154464	-2.17344	0.0403
D(LOG_WC)	0.569251	1.033736	0.550673	0.5872
D(LOG_WC(-1))	0.811433	0.244105	3.324113	0.003

The outcome of the ARDL result shows that there is no long-run relationship within the variables itemized based on the COINTEQ01 that is negative but not statistically significant at 5%, meaning that the relationship exhibits only a short-run relationship.

From the findings above, it could be deduced that the present current ratio has a negative relationship. It is not statistically significant but was statistically significant at the previous time period. This means that the previous current ratio does have a significant negative effect on the manufacturing performance than the present time current ratio management.

Net working capital ratio on the other hand exhibits positive effects on the performance of the manufacturing sector also in the previous years than the present time. This means that an increase in the networking ratio of the previous year by a unit percent will lead to a corresponding increase in the manufacturing performance by 81%.

Table 4-----Cross-sectional short-run review of each component selected firms

Variable	Coefficient	Prob. *								
	DANGOTE		DACON SALT		UNILEVER		NESTLES		CADBURY	
COINTEQ01	-0.33146	0.0734	-0.88657	0.0001	-1.406454	0	-0.04613	0.5108	0.226895	0.0109
D(LOG_CA)	-0.20391	0.009	0.849261	0.0013	0.490024	0	-1.34132	0.0543	-0.48106	0
D(LOG_CA(-1))	-0.27315	0.0092	-0.45683	0.0059	0.080948	0	-0.84709	0.0736	-0.18247	0.3152
D(LOG_WC)	0.800949	0.0651	-2.17311	0.017	-1.18913	0	3.596438	0.176	1.811106	0
D(LOG_WC(-1))	0.815307	0.1463	1.532596	0.0195	0.042329	0.0145	1.032416	0.517	0.634515	0.815

The cross-sectional short-run review revealed that only Dacon salt and UNILEVER have a long-run relationship with their co-integrating coefficient being negative and significant at the same time, while the others do not have a long-run relationship because they do not meet the set criteria above.

Dangote current ratio shows a significant negative effect on its performance at both the present period and previous years' short-term liquidity position but does not possess enough excess liquidity that be capable of purchasing derivative assets for further profitability with their working capital ratio through a positive but not significant to influence the firm's performance.

Dacon Salt and UNILEVER Company satisfy all parameters for long run relationship and also posit a very high significant liquidity influence from both their present time and previous year liquidity effects on their respective financial performance with the ability to generate extra internal funds to purchase further assets for creative production activities that could drive further profitability

Nestles on the other hand shows that liquidity management does not have any effects on their profitability, nor extra internally generated funds for derived demand does not also have any significant influence on the company's performance or profitability.

Cadbury on the last note confirms the relevance of the present current ratio and net working capital assets on their profitability and performance with high statistical significance.

4.. Results and Discussions

The findings of this study are an eye opener and discovery on the liquidity and profitability nexus, in the sense that the parameters were more responsive to past year liquidity management strategy than to the current year liquidity management in driving profitability and manufacturing performance. This fact further lays credence on the pecking order funding dependency on retained earnings and internally generated funds to better finance operational activities toward profitability. This therefore means that manufacturing sectors in Nigeria's liquidity management strategy should lay more emphasis on past /previous year liquidity capacity and funding mix to be able to effectively grow or drive their sector performance or profitability further. An increase in the previous current ratio or short-term liquidity provision thus has a corresponding reduction in the manufacturing profitability. This may be likened to the impact of the previous year's unutilized earning assets to non-earning assets on profitability, thereby leading to wastage and under-capacity utilization. This means the earning and non-earning assets composition of the manufacturing company in the previous years has a rather stronger effect on the profitability of the firm now than their current composition or balance mix.

Most of these unearned asset surpluses may be in the form of idle inventories due to poor optimal allocation and planning of inventories to excess cash accrued from debt over-hanged yielding interest expenses not effectively put into creative investment vehicles to generate additional income or profitability. These and many others created a strong negative relationship exhibited in these findings contrary to the findings of Ehiedu (2014) where he posited a positive relationship between the current ratio and manufacturing profitability or performance. However, this could be true for some manufacturing companies in the group that have a long-term relationship between the liquidity parameters and profitability i.e. Unilever and Dacon salt.

Networking capital to assets ratio on the other hand posits a positive relationship with the manufacturing performance or profitability during the recession period for the previous year retained asset funding finance and not current year value. Nelson (2019) expresses his view on WCTA as a parameter or ratio that indicates a company's ability to fulfil its obligations and purchase assets that could further drive productive activities in the company for further income and profitability. Indication of positively significant coefficients for the previous or past year's ratio on manufacturing profitability indicates the manufacturing ability to cover their short-term obligations while providing them with the opportunity to utilize the excess liquidity to drive further productive assets. The utilization of this excess capacity is expected to increase manufacturing profitability and performance. This is in contrast with Purba., Nuzula and Sugiastuti's (2023) study emphasized that WCTA partially has insignificant and negative effects on Profit Growth. After the above findings, we fail to accept the null hypothesis that the current ratio and net working capital to assets do not significantly affect profitability and accept the

alternative that they both strongly influence and impact manufacturing profitability or performance.

5.. Conclusions

The liquidity-profitability nexus debate has been tested in Nigeria's manufacturing sector, revealing that rather than an inverse relationship existing between the two variables within the same year, the impact of liquidity management is evident from the past year's strategies. This implies that manufacturing companies in Nigeria must consider their previous year's liquidity management positions to achieve an optimal balance that enhances profitability, especially during recessions. Given the current economic recession in Nigeria, the following recommendations are made for the manufacturing sector to address the continuous shutdown of factories caused by the economic downturn: Manufacturing companies should review and analyze previous years' liquidity positions and shortfalls. This will provide a learning curve to inform current-year liquidity management strategies for higher profitability. Effective corporate governance and risk management practices should be implemented to handle liquidity and market risks, ensuring proper mitigation of financial risk exposures. Since net working capital to assets positively impacts profitability, companies should properly provision for asset replacement to enhance productivity while considering foreign exchange risks. Strategies should be developed to manage asset-liability mismatches and reduce idle, non-earning assets that can decrease profitability and threaten the company's viability. Capital structures that minimize interest rate risks and debt burdens, which can erode profitability and capital gains, should be adopted. Effective credit and liquidity policies should be implemented to improve cash flows and ensure timely meeting of all due obligations.

Further research should segment and categorize manufacturing firms by classes and product lines due to their diverse operational modes, enabling more effective outcomes. Comparative analysis across different periods and administrations is also suggested to identify the most prosperous and healthy economic and political systems for the manufacturing sector. This approach will provide valuable policy recommendations to policymakers, firms, and the government, aiding in the revitalization and growth of Nigeria's manufacturing industry.

Conflicts Of Interest

Authors declare NO conflict of interest

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