Effect of Cash Flow and Liquidity on Financial Performance of Non-Financial Firms in Nigeria

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ABSTRACT

The focus of this study was to examine the influence of cash flow and liquidity on the operational efficiency of non-financial companies in Nigeria. Data for the research was gathered from the annual reports of twenty-two non-financial firms that are part of the Nigeria Exchange group (NGX) from 2013 to 2022. Different tests were carried out, including model specification, collinearity, and heteroskedasticity tests, to explore the data. Cross-Sectional Time-Series FGLS Regression was employed to examine the data, indicating that cash flow indicators have a substantial positive impact and an unimportant negative effect on the financial performance indicator, which is evaluated by ROA. However, the liquidity proxy has insignificant positive effects on firm performance. The research concluded that cash flow and liquidity are important indicators of the financial performance of non-financial companies listed in Nigeria. The research indicates that businesses should prioritize capital allocation strategies, efficient asset allocation, and invest in staff research and development to improve their performance. Additionally, the firms should balance capital structure (debt and equity) and improve operational efficiency in terms of cost management and revenue generations.

Keywords: Cash Flow, Operational Efficiency, Financial Performance, Non-Financial Firms

1. INTRODUCTION

Cash flow and liquidity are necessary factors in determining survival of every company. They help to maintain the principle of going concern and daily operational activities of a company and also the livelihood of a company because they assist in taking new investment opportunities at lower cost. Additionally, cash flow and liquidity enables a company not to default in their daily obligations (Abubakar et al., 2020).

An organisation that has a strong cash flow is in a more stable financial position as it will have the ability to fulfil its immediate financial obligations. Suciani and Setyawan (2022) remarked that the analysis of cash flow will show how well the company can produce funds to fulfill its immediate or future financial responsibilities (as well as to prepare for future obligations). A non-financial firm who utilizes its cashflow is at advantage during financial crunch. In other word, cash flow of a firm tests the true state of the entity reason being that the company will be able to account for what they really earned and spent. Cash flow measures are gotten from statement of cash flow. A firm that has adequate cash flow is termed to be liquid.

A liquid firm is said to be financially stable because the firm has the capacity to meet immediate stakeholders' financial obligations which bring about trust and confidence. Liquid firm has a competitive advantage over firms that are illiquid. Meanwhile, a liquid firm tends to appreciate new opportunities compared to other firms and this could result to success of such firms. Kimondo et al. (2016) noted that liquidity is a part to improvement and development of a company. Akenga (2017) argued that for a firm to be liquid such firm has the capacity of meeting unforeseen circumstances, daily operational cost and other contingencies.

On the other hand, firm performance is how a firm strategize in order to achieve firm goals, objectives and at the same time meeting stakeholders expectations. Firm performance is enhanced by cash flow and liquidity of the entity. When a firm is able to maximize cash flow and liquidity effectively and efficiently the financial wealth of such company is optimized.

Cash flow and liquidity has been a topical research issue in finance. This is because cash flow and liquidity are livelihood of every growing and developing firms. Amidst the findings of the researchers' it happens not to be same. The research examined how cash flow, liquidity, and capital structure influenced the financial success of manufacturing companies listed on the stock market in Nigeria through Olulu-Briggs and Wobo (2023) revealed that the cash conversion cycle greatly influences return on equity in a positive manner, while the liquidity ratio has a minimal negative effect. This was also shown in a study conducted by Li et al. (2020), they explored liquidity affects the financial effectiveness of businesses, finding that high levels of liquidity can have a negative impact on a firm's return on equity. Fijabi et al. (2023) conducted a study on the influence of cash flow on the economic achievements of oil and gas corporations from 2013 to 2022, finding a significant relationship between cash flows and financial performance. Building on the research mentioned, the study identified the importance of cash flow and liquidity for the growth of businesses and highlighted potential gaps such as scope and domain gaps. As a result, the research was focused on examining how cash flow and liquidity impact the effectiveness of non-financial companies in Nigeria.

2. LITERATURE REVIEW

2.1. Conceptual Review

2.1.1. Cash flow

The flow of cash involves the movement of money into and out of a business for operational, investment, and financing purposes. According to Frank and James (2014), it is important for companies to establish efficient procedures for utilising different cash flow strategies to enhance financial performance. Financial performance is crucial for corporations as they use different financial tools and strategies to identify profitable investments and increase stakeholder wealth (Liman & Mohammed, 2018; Nangih et al., 2020). Ojode (2014) characterized cash flow as the level of financial flexibility possessed by a business, calculated by combining post-tax profits and non-cash expenditures with total revenue. When a company is able to generate positive cash flow, it implies that the firm has the ability to create shareholders value or long term cash flows for the company (Gregory et al., 2014). Qiu (2023) provided a definition of cash flow as the fluctuation of cash in various business activities, which can help assess the profitability of a company over different accounting periods. The analysis of cash flow in this research is based on the net cash flow generated from operating, investing, and financing activities.

2.1.2. Liquidity

Liquidity is the capability of a company to settle its immediate financial responsibilities promptly. Olulu-Briggs (2021) defines liquidity as how a firm is able to meet maturing obligations and this is very crucial to firm performance. Liquidity refers to a company's capacity to repay immediate debts using cash and cash equivalents. The role of liquidity is crucial in driving financial success by supporting the growth, progression, and advancement of businesses (Kimondo et al., 2016). Example of liquid assets are cash, treasury bills, treasury certificates and among others. Kithinji et al. (2023) define liquidity as the company's capacity to meet its financial commitments without disrupting its regular operations. This can manifest in different ways such as operational efficiency or structural integrity within the organization. Operational form of liquidity involves cash flow measures while structural form involves statement of financial position measures. Liquidity can be measured by current ratio, acid test ratio, etc. but in this study liquidity is measured by current ratio which is expressed as ratio of current assets to current liabilities.

2.1.3. Firm Performance

Onyemenam et al. (2023) defined firm performance as the competence of a firm over a period of time. This competence could be in form of how an entity accumulate financial resources and how they deployed them efficiently and effectively in achieving the target goals of the organization. According to Sulaiman et al. (2018) and Abubakar et al. (2020) the performance of a company can be evaluated using different measures,

such as those based on accounting and market indicators. Accounting measures include metrics like Return on Equity, Return on Assets, and sales growth, while market indicators include market returns and Tobin's Q. According to Abubakar et al. (2020), accounting measures depict a firm's past or immediate performance, whereas market-based measures indicate its future or long-term performance. In this study, certain accounting measures like Return on Equity and Return on Assets were adopted.

2.1.4. Relationship between Cash Flow and Firm Performance

A positive cash flow can improve firm performance in that when inflows of cash are properly utilized in acquisition of economic resources for the organization the better the firm performance. Appah (2018) suggests that money has a significant impact on the long-term viability of an organisation as it is essential for acquiring resources necessary for producing goods and services, increasing profits, advancing technology, and enhancing the welfare of employees.

Additionally, when an entity is meeting their operational, investment and financing activities with cash flows the company is also accumulating more wealth and also preparing for future financial obligations. Cash flow will make a company to survive overtime. A study by Afrifa and Tingbani (2018) highlighted the significance of cash flow availability in the success of small and medium enterprises (SMEs) and their working capital requirements. Wan et al. (2024) suggested that having unused cash flow can harm a company's performance as it does not generate any returns for the organisation.

2.1.5. Relationship between Liquidity and Firm performance

A company that is liquid is capable of meeting diverse financial obligations as at when due. When a company is able to meet its obligations as at when due, its invariably instilling confidence in the mind of potential stakeholders and when a company satisfactorily does that the possibility of a better firm performance is guaranteed. (If a company takes lesser time to convert financial instruments to cash the higher the firm performance of such organization). Akenga (2017) noted that a company's capacity to fulfill ongoing financial obligations when they come due is seen as a sign of its liquidity and helps to build a positive reputation among stakeholders. Matar et al. (2018) argued that liquidity is positively related to firm performance. Increase in company's receivables result to decrease in liquidity and this invariably affects company's performance. Zhang and Lee (2021) reveals that increase in investment leads to increase in liquidity. Higher liquidity means firms are utilizing economic resources the way they ought to (Li et al., 2020).

2.2. Theoretical Framework

2.2.1. Cash Conversion Cycle Theory

The theory was propounded by Richards and Laughlin (1980). This relates to how a company can balance its working capital and profitability. It also involves how a company can transform (convert) it inventories to cash to meet daily financial needs with the intention of realizing profit and improving the financial strength of the firms. The theory is also of the opinion that firms should convert their stocks to cash within a short period of time so as to make desired profit that will keep the business alive and also attract investors to the company. Oseifuah and Gyekye (2014) noted that a short conversion cycle leads to profitability, liquidity and thereafter results to more values. Cash conversion cycle is the basis of the profitability of firms (Mabandla & Makoni, 2019; Zalaghi et al., 2019). This study is anchored on the cash conversion cycle because when inventories are turned into cash within a short time, the company will be more liquid, thereby resulting to movement of cash within the organization and this in turn result to a better financial performance because the daily financial needs of the firm will be met.

2.2.2. Liquidity Theory

This theory was formulated by John Maynard Keynes in 1936. The theory is based on the ability of a firms' current assets (CA) to offset its current liabilities (CL). When the current assets of a company is more than current liabilities, the company tends to perform better because the company will tend to borrow less to finance its operations as the company has sufficient funds to finance its operations. Furthermore, when firms have more current assets (liquid assets), investors tend to acquire more of their stocks, thereby leading to more returns and liquidity. Kıthınjı et al. (2023) uses ongoing liquidity as a measure of working capital management. Ongoing liquidity refers to as the inflows and outflows of production, product acquisition, sales, payment and collection process taking place in a firm.

2.3. Empirical Review

2.3.1. Liquidity and Firm Performance

Adnan and Kamran (2019) in Pakistan researched on liquidity and profitability of 12 automobiles firms for five (5) years. Liquidity is measured using quick ratio, cash ratio, and current ratio, while profitability is assessed through return on equity and return on assets. Through panel methodology, the study discovered that only the quick ratio positively affects profitability. The research suggests that companies should adjust their current asset management policy to increase profits.

Li et al. (2020) conducted a study to investigate how the financial performance of non-financial companies listed on the Ghana Stock Exchange (GSE) is affected by their liquidity levels. Analysis was conducted on panel data extracted from the yearly reports of 15 companies spanning from 2008 to 2017 utilizing the Generalized Least Squares (GLS) technique. The findings showed that high levels of liquidity can have a detrimental impact on return on equity, however, there is a slight positive effect when looking at the cash flow ratio, although it is not statistically significant. It is advised that companies should prioritize effective liquidity management based on these findings.

Olulu-Briggs and Orowhuo (2021) carried out research on the influence of cash flow, liquidity, and capital structure on the profitability of manufacturing companies listed in Nigeria using the Generalized Method of Moments (GMM). They gathered secondary data from 20 listed manufacturing firms operating between 2010 and 2019. The variables analysed in the study were Return on Equity (RoE), current assets ratio, cash conversion ratio, and debt to equity ratio. The findings of the study indicate that the current assets ratio has a negligible negative impact, the cash conversion cycle has a significant positive effect, and the debt-to-equity ratio has a significant positive influence on the return on equity of listed manufacturing companies. The researchers suggest that firm managers should implement effective credit management practices, such as encouraging early payments from customers through deposits and using a first-in, first-out approach to selling off old inventory before new inventory.

Musiita et al. (2023) conducted research on 72 SACCOs in Bushenyi district, analyzing how liquidity management impacts their financial performance. They utilized a cross-sectional survey and the content validity index in their study. The findings suggest a significant link between liquidity management strategies and the financial success of SACCOs in the district. It is suggested that organisations focus on liquidity management to improve their financial performance, as it has a positive impact.

2.3.2. Cash Flow and Firm Performance

Musah and Kong (2019) analysed how cash flow relates to the financial performance of non-financial companies listed on the Ghana Stock Exchange. Ex-post facto and correlational research techniques were employed by the researchers to collect information from the yearly financial reports of 15 specific companies over a 10-year period from 2008 to 2017. The outcomes of the study revealed that cash flow had a notable positive influence on return on assets for the companies under examination. However, the impact of cash flow on return on equity and return on capital employed was positive but not significant.

A study by Kashif et al. (2020) looked into how cash flow affects the performance of listed manufacturing firms in Pakistan, particularly under capital market imperfections. Data from 137 non-financial companies listed on the Pakistani Stock Exchange over a decade (2006-2015) was analysed, showing a positive and significant relationship between cash flow and firm performance.

Appah et al. (2021) examined the effects of cash flow accounting (CFA) on the financial results of publicly listed consumer goods businesses in Nigeria. The research utilised both bivariate and multivariate analysis techniques. Data for the research was collected from the yearly financial statements of specific Nigerian consumer goods firms spanning from 2015 to 2019. The study considered operating cash flow, investing cash flow, and financing cash flow as the independent variables, with return on assets acting as the dependent variable to measure financial performance. The analysis also took into account firm size and financial leverage as control variables. It was found that operating cash flow, financing cash flow, and firm size had a positive and significant impact on return on assets. The researchers recommend that companies should always maintain a balance between liquidity and profitability when making decisions about capital expenditure.

Fijabi et al. (2023) examined cash flow and financial performance of listed oil and gas sector in Nigeria. Ex-post facto was employed as the research design. Data were extracted from the published oil and gas annual report for 2013-2022. The findings reveals that cash flow had a significant effect on return on equity and return on assets and earnings per shares of the listed oil and gas companies. The research suggests that companies should focus on the needs of investors and use cash flow management techniques to improve their financial results in a lasting way.

Alhassan and Islam (2021) conducted a study on the management of cash flow and operational effectiveness among oil and gas companies listed in Nigeria. They utilised Panel EGLS (cross-section random effects) to examine the data and found that while cash flow from investing activities had a minor impact on operational efficiency, cash flow from financing activities and cash reserves had a noticeable positive effect on operational efficiency. On the other hand, cash flow from operating activities was found to have a detrimental impact on operational efficiency.

3. RESEARCH METHODS

The research was conducted on non-financial companies listed on the Nigeria Exchange Group (NGX). Twenty-two (22) out of a total of one hundred and eight (108) non-financial firms listed on the NGX were selected for a duration of 10 years (2013-2022). The information utilized in the research was sourced from the yearly reports of non-financial corporations that are publicly traded on the NGX. Quantitative data analysis methods were applied in the research. The model used in the study was tested through various data exploration tests, including multi-collinearity test, Ramsey Reset Test (RRT), and Heteroskedasticity test (HET).

The study model after the work of Onyemenam et al. (2023) and is presented as:

$$FP_{it} = \beta 0_{it} + \beta 1 OCF_{it} + \beta 2 CWC_{it} + \beta 3 CapExp_{it} + \mu_{it} --- \qquad (i)$$

The specific model for this study is presented as:

$$FP_{it} = \beta 0_{it} + \beta 1 NCFO_{it} + \beta 2 NCFI_{it} + \beta 3 NCFF_{it} + \beta 4 LIQ_{it} + \beta 5 FS_{it} + \mu_{it} --- \qquad (ii)$$

Where:

FP _____ Firm Performance

$\beta 0$ _____ Intercept

$\beta 1$ - $\beta 5$ _____ coefficient parameters

it _____ Company at time t

μ_{it} _____ stochastic error term

NCFO_____ Net Cash flow from operating activities

NCFI_____ Net Cash flow from investing activities

NCFF_____ Net Cash flow from financing activities

LIQ_____ Liquidity

FS_____ Firm Size

Table 1. Operationalization of variables

S/N	Variables	Proxies	Measurement	Source
	Firm Performance	Return on assets	**Profit After Tax** / **Total Assets**	Financial reports of non-financial firms
	Cash flow	Monetary value of net cash flow from operating activities	Actual monetary value of net cash flow from operating activities	Financial reports of non-financial firms
		Monetary value of net cash flow from investing activities	Actual monetary value of net cash flow from investing activities	Financial reports of non-financial firms

S/N	Variables	Proxies	Measurement	Source
		Monetary value of net cash flow from financing activities	Actual monetary value of net cash flow from financing activities	Financial reports of non-financial firms
	Liquidity	Current Asset Ratio	$\left[\dfrac{\text{Current assets}}{\text{Current liabilities}}\right]$	Financial reports of non-financial firms
	Firm size (control variable)	Total assets	Log of total asset	Financial reports of non-financial firms

Source: Author's Compilation, 2024

4. RESULTS AND DISCUSSION

Table 2. Descriptive analysis

Variables	Obs.	Mean	Std. Dev.	Min	Max
FP	220	0.0366038	0.1756473	-1.050572	1.205049
NCFO	220	2187.415	11582.6	-9773144	1172681277
NCFI	220	-959.1636	11196.02	-1017821266	9566226924
NCFF	220	-954.351	5947.117	-67956.4424	104059876
LIQ	220	1.79621	3.268133	.0484718	36.41061
FS	220	16.15278	1.785412	12.48736	22.27181

Source: Author's Compilation, 2024

As reported in table 2, for the period examined, FP proxy with ROA shows that mean financial performance employed is about 3.66%. On a general note, this may be harmful since it depict more assets are employed to generate profit. The deviation from the mean performance, is about 17.56% suggesting likely high risk of achieving expected performance in the sector. However, the examined firms recorded FP proxied with ROA as high as 120.5% but a low proxied with ROA of about 105% for the examined period.

The mean net cash flow (NCF) was highest for operation activities (N21, 874.1452 million) and it is also positive. On the other hand, the mean NCF were negative (-N9, 591.636986 million) and (-N9, 543.09577 million) for investment activities and financing activities, respectively. The NCF risk (deviation from mean) was highest with NCFO (N11, 5826 million) and the least is from NCFF (N5.947117 million).

The maximum NCF occurs in NCFO (N1, 172,681.277 million) while the least NCF occurs in NCFI (-N1, 017,821.266 million). The average liquidity ratio is 1.79621 which imply that on the average, the firms' will be able to satisfy their current liabilities. Even though there is no direct relationship between standard deviation and mean, the standard relation of liquidity (3.268133) > its mean (1.79621) suggests that the data points spread out over a wide a wide range, suggesting high risk or variability for the liquidity of the observed firms. The least liquidity ratio for the observed firms is 0.0484718 (when a firm will not be able to satisfy current liabilities) and maximum is 36.41061, almost 36 times able to satisfy their current liabilities: highly liquid.

4.1. Correlation Analysis

To determine the nature of association among the study variables, the correlation test was performed and the result is as shown in table 3.

Table 3. Correlation Matrix

	FP	NCFO	NCFI	NCFF	LIQ	FS
FP	1.0000					
NCFI	-0.0038	1.0000				
NCFF	-0.0256	0.0772	1.0000			
NCFO	0.1511*	-0.4141*	-0.3875*	1.0000		
LIQ	0.4043*	0.0822	0.1584*	0.0488	1.0000	
FS	-0.0866	-0.4443*	-0.3236*	0.4687*	-0.0123	1.0000

Source: Author's Compilation, 2024

Table 3 showed that NCFI, NCFF and FS has weak negative correlation with FP while NCFO and LIQ showed a positive correlation with FP. Only LIQ have a moderate correlation with FP (0.4043). The other variables have weak relationship with FP. The correlation among the independent variables depicted in table

3 showed that the highest correlation coefficient among the independent variables is 0.4687 (between NCFF and FS). By rule of thumb benchmark, the variables are not likely to have collinearity challenge because none of their coefficient is up to 0.7.

4.2. Collinearity Test

In order to assess for multicollinearity among the study variables, the Variance Inflation Factor (VIF) and tolerance value were utilised. The findings from the VIF analysis can be found in table 4.

Table 4. Variance Inflation Factor (VIF): Multi-collinearity test

Variables	VIF	1/VIF
NCFO	5.78	0.173056
NCFI	2.98	0.335887
NCFF	2.49	0.401331
FS	1.74	0.573733
LIQ	1.03	0.973710
Mean	2.80	

Source: Author's Compilation, 2024

From table 4, NCFO has the highest VIF value of 5.78 which is less than the 7 (rule of thumb benchmark) and LIQ has the least VIF value of 1.03 while the mean VIF is 2.80. LIQ has the highest tolerance value of 0.97371 which is greater than 0.10. This suggest that the variables has no multiple collinearity challenges.

4.3. Model Specification test

The link test was conducted to determine model specification (if there are omitted variables). The result of the link test is presented in table 5.

Table 5. Linktest

Roa	coefficient	Std. err.	t	p>/t/	{95% conf. Interval}	
-hat	1.070844	1.958698	0.55	0.585	-2.789664	4.931353
-hatsq	-1.041033	25.1299	-0.04	0.967	-50.57097	48.4889
-cons	-.0010376	.0446097	-0.02	0.981	-.0889614	.0868862

Source: Author's Compilation, 2024

The p-value of the -hatsq from the linktest of 0.967 in table 5 is greater than 0.05. This suggests that there are no omitted variables (model is well specified). Furthermore, the Ramsey RESET test was conducted to reaffirm this claim (table 6). The Ramsey RESET test p-value of 0.5608 is greater than 0.05. It further suggest model is well specified.

Table 6. Ramsey RESET test for omitted variables

	Value	Prob>F
F (3, 211)	0.69	0.5608

Source: Author's Compilation, 2024

4.4. Heteroscedasticity Test

The Breusch-Pagan/Weisberg test was employed to test for heteroskedasticity. The Breusch-pagan/Weisberg test results is presented in table 7.

Table 7. Breusch-pagan/ Weisberg test for heteroskedasticity

	Value	Prob>chi2
Chi2 (1)	116.56	0.0000

Source: Author's Compilation, 2024

The p-value of chi square in table 7 is 0.0000 which is less than 0.05 significance level. Thus, HO (homoscedastic) was rejected and HA (heteroskedasticity) was accepted.

4.5. Normality Test

The regularity assessment (table 8) shows that the variables are not distributed normally as the p-value is below 0.05. Nonetheless, it seems that if there are more than 10 observations per variable (in this study, n = 22 which exceeds 10), deviations from normality may not have a significant impact on the outcomes (Schmidt & Finan, 2018). It is possible that the study overlooked the issue of non-normality.

Table 8. Skewness and kurtosis for normality test

Variable	obs.	Pr (skewness)	Pr(kurtosis)	-------- Joint test -------	
				Adj chi2(2)	Prob>chi2
resid	220	0.1696	0.000	53.95	0.000

Source: Author's Compilation, 2024

4.6. Hausman Test

Table 9. Hausman Test

Chi2 (1)	Value	Prob>chi2
	2.04	0.3608

Source: Author's Compilation, 2024

The Hausman test was carried out to choose between fixed effects and random effects models. From the results in table 10, the p-value of 0.3608 is greater than 0.05 (5%) significant level, suggesting that random effects is more appropriate. However, the researcher went further to test for cross-sectional independence test.

Table 10. Cross-Sectional independence test

Pesaran test of cross sectional independence	Value	Prob>chi2
	2.612	0.0090
Off-diagonal elements	0.318	

Source: Author's Compilation, 2024

The essence of cross-sectional independence test is to check whether the variables are independent of each other or not. The p-value of the off-diagonal elements of 0.0090 in table 10 is less than 5% significant level so therefore, the null hypothesis is rejected but the alternate is accepted. However, the average value of the off-diagonal elements of 0.318 is greater than 5%, suggesting possible cross-sectional dependence challenge since the average value of 0.318 is greater than 5%, it means that cross-sectional dependence challenge may exist (De Hoyos & Sarafidis, 2006; Emudainohwo, 2015; Emudaınohwo & Stephen, 2015).

4.7. Serial Correlation Test

Serial correlation analysis is carried out to ascertain the existence of autocorrelation. The criteria for decision-making involve accepting the null hypothesis if the p-value exceeds 5% and rejecting it otherwise. As shown in table 11, the p-value of 0.5840 is above the 5% significance level, indicating that the null hypothesis is upheld. Therefore, there appears to be no issue with serial correlation.

Table 11. Serial correlation/ Autocorrelation

	Value	Prob>F
F(1,21)	0.309	0.5840

Source: Author's Compilation, 2024

4.8. Summary of Model Exploration

The data exploration revealed that model is well specified, homoskedastic, no serial correlation challenges, and Hausman's test elected Random Effects model be employed for the analysis. However, data is likely suffering from cross-sectional dependence challenges, and not normally distributed. While normality challenges can be ignored, the research scouted for model that allow for presence of cross-sectional dependence. The FGLS Regression model, which combines cross-sectional and time-series data, was used to provide accurate estimates despite the presence of AR (1) autocorrelation within groups and variability across panels in terms of cross-sectional correlation and heteroscedasticity.

4.9. Presentation of Regression Results and Discussion

Table 12. Cross-Sectional Time-Series FGLS Regression

FP	coefficient	Std. err.	z	p>/z/	{95% conf. Interval}	
NCFI	0.0000871	0.0000194	4.49	0.000	0.0000491	0.000125
NCFF	-0.0000311	0.0000228	-1.37	0.172	-0.0000758	0.0000135
NCFO	-0.0000149	0.0000199	-0.75	0.453	0-.0000539	0.000024
LIQ	0.0288118	0.0153835	1.87	0.061	-0.0013393	0.058963
FS	-0.0276259	0.0108343	-2.55	0.011	-0.0488608	-0.0063911
-CONS	.3893404	.1727837	2.25	0.024	0.0506906	0.7279901

Source: Author's Compilation using STATA 17.0.

Initially, after adjusting for the size of the company (represented by the logarithm of total assets), the net cash flow from investing activities (NCFI) shows a noticeable positive impact on the performance of the company. This suggests that a 1% variation (either an increase or decrease) in NCFI will lead to approximately a 0.0000871 change in the company's performance for non-financial companies in Nigeria during the period under scrutiny.

The findings supports Musah and Kong (2019), Imhanzenobe and Adeyemi (2020) and Kolawole et al., (2023) which revealed positive significant effects but contradicts Eyamu and Onuorah (2024) which revealed positive and insignificant effects. The implications of this result is that the companies efficiently and effective acquire new assets like machineries, real estate, etc. that can be used to generates higher income. Also, it might be that they invest in modernize and technological means of operations which reduces operational costs.

Secondly, net cash flow from financing activities (NCFF) and net cash flow from operating activities (NCFO) shows negative insignificant effects on ROA. This signifies that a 1% decrease result to -.0000311 and -.0000149 decrease in ROA respectively. The results conflicts Imhanzenobe and Adeyemi (2020) that revealed positive significant effects but support the study of Nangih et al. (2020) which reveals that negative insignificant. This implies that the firms is not allocating capital to the appropriate productive assets and also they are not being profitable in their operational activities despite the facts that they engage in all operational and financing activities. This could bring about negative interpretations on the part of investors. That is investors might lose confidence in the companies.

Lastly, current assets ratio (CAR) has a positive insignificant effects on ROA. This means a 1% increase results to .0288118 slight increase in ROA. The findings do not support Olulu-Briggs and Orowhuo (2021) (negative insignificant effect) but in line with the findings of Adnan and Kamran (2019) (positive effect). This signifies that the current assets is not contributing maximally to the growth of return on assets. This could also be that the firms lack the expertise in managing companies' assets.

5. CONCLUSIONS

This study analyse the effects of cash flow and liquidity on firm performance: Evidence from non-financial firms. To achieve the objectives of the study, data were sourced from 2013-2022 for twenty-two (22) selected non-financial firms. The findings reveals that cash flow have both positive significant and negative insignificant effects on firm performance but liquidity has positive insignificant effects on the dependent variable. However, the study recommends that the firms should engage in capital allocation strategy, efficient assets allocation and also in involve in research and development of staff. Additionally, the firms should balance capital structure (debt and equity) and improve operational efficiency in terms of cost management and revenue generations and lastly, the non-financial firms should align current assets with operational activities so as to be more profitable.

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