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CASH MANAGEMENT AND FINANCIAL PERFORMANCE OF LISTED FIRMS IN NIGERIA

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ABSTRACT

The study examined the effect of cash management on financial performance of listed insurance firms in Nigeria. The management of insurance business in Nigeria is a serious challenge despite the relevance of this service in the country due to a lot of problems that are entailed in insurance business. The study specifically seeks to determine the effect of cash management on net assets per share and to ascertain the impact of cash management on market price per share of listed insurance firms in Nigeria. Cash management was represented by the ratio of cash and cash equivalent to total assets while financial performance on the other hand was proxy in the study with net assets per share and market price per share. Statistical test of parameter estimates was conducted using Panel least squares regression method. Ex Post Facto design was adopted and data for the study were obtained from the Nigerian Exchange Group Factbook and published annual financial reports of listed insurance firms in Nigeria from 2015-2023. The study revealed that cash management has positive and significant effect on firm performance. Furthermore, the study came to conclusion that cash management improves financial performance in listed insurance firms Nigeria. It is therefore recommended, among others that managers should consider the financial condition of a firm when determining the optimum cash liquidity due to its different effects since optimal cash management enhances firm net assets value and market share.

Key words: *Cash Management, Financial Performance, Listed Insurance Firms, Market Price Per Share, Net Assets Per Share.*

INTRODUCTION

The most vital component of business survival is efficient management of current assets and current liabilities. It ensures optimum usage of firm's resources, which improves the general performance of an organisation. Cash is the most liquid asset, and as noted according to Allman-Ward and Sagner (2023) the first function of cash management is to secure the short term normal business activities, manage resources and enhance liquidity. The essential

objective of this practice is to reduce the percentage of liquid assets held by companies in order to actualise their on-going activities on one hand, and on the another hand, to achieve a sufficient level of cash holdings to empower the company to obtain trade discounts to achieve acceptable credit rating and to meet unexpected cash requirements (Brigham, Gapenski & Daves, 2023). National Insurance Commission (NAICOM) established by the Act of 1997 in Nigeria to regulate and reticulate insurance companies. This body establishes standards for the conduct of insurance business and also determines the transactions between the insurers and reinsurers in Nigeria and those outside of Nigeria. According to NAICOM, insurance business in Nigeria is not performing well as it suffers from cash flow problem, struggles to settle clients' claims and lack investible funds. The cash management therefore helps the firms ensure transaction needs, grasp investment opportunities and risk provisions (Thu-Trang, 2020). The cash management plays a crucial role in the effectiveness of organizations. However, large cash management will cause the opportunity costs especially when the firm has omitted investment activities that will yield a return to choose cash holdings. On the contrary, if the firm does not guarantee its solvency, the firm is in danger of facing financial exhaustion. Hence, cash management is an issue that has generated a lot of debate in academia and financial arena.

Insurance is a legal contract that promises financial obligations against occurrence of certain insured risks resulting to loss of life, property and/other pecuniary valued subject matter. Some of the problems faced by insurance companies in discharging their claims settlement mandate in Nigeria are cause by internal factors know as specific factors which are within the control of organizations. Effective cash management avails insurance companies' smooth and sound claims management process which in turn affects their financial performance (Oladunni and Okonkwo, 2022). The management of insurance business in Nigeria is a serious challenge despite the relevance of this service in the country due to a lot of problems that are entailed in insurance business. Also, insurance business practitioners in Nigeria in their business life everyday are confronted with numerous business decisions that possess ethical challenges (Osaze, 2023). The failure of insurance business in Nigeria can be tied to low rate in patronage of insurance services by the public and this is suggested to be due to inability of insurance personnel to identify target patrons and adopt different marketing strategies. Also the sales agents and brokers that drive insurance market in Nigeria are not well serviced. Thus, they do not get nice treatment from their insurance companies (Okafor, 2021). Recently, there have

been many studies around the world looking at the relationship between cash holding and firm financial performance.

Firms financial performance is linked with firm's effective and efficient management of its working capital such that risk of inability to meet short term obligations is eradicated and unwarranted investment in the working capital are avoided. The proportion of current assets to current liabilities should be sufficient enough to meet payment of short term creditors as and when due to avoid insolvency and subsequent effect of bankruptcy (Ajayi, Abogun, & Odediran, 2017). Firm's primary objective is to maximize profit so as to achieve increase in share price and dividends but this cannot be achieved without preserving having a proper cash management of the company. Therefore, increasing profitability at the expense of liquidity may defeat going concern of the business and same goes for liquidity at the expense of profit. Hence, there should be a trade-off between profitability and cash management of the firm. The statement of comprehensive income in the annual reports of the firm revealed either loss suffered by the company in its operation or profit generated during the year. Nigerian insurance industries are facing crucial problems that persistently led to their winding-up (Ogbuji & Ogunyomi, 2014). A lot of industries in Nigeria have closed down, some relocated while others are operating far below installation capacity. Achieving optimum level of cash management is not an easy task. It involves the ability of an insurance company to pay obligation as at when due as well as maintaining not too much and too little assets (Brigham & Houston, 2007).

In assessing the performance of insurance companies in Nigeria, the rise in disposable income, digitalization and automation of insurance services, a growing middle class, better adherence to operational guidelines by market players and innovative service delivery will enable the industry to achieve increased profitability and market penetration. A breakdown of the data sourced by Leadership (2021) from the National Insurance Commission (NAICOM) showed that insurance sector made N372.4 billion premium income in 2017, went up by 14.5 per cent in 2018 to N426.2 billion. In 2019, it was N508.2billion, grew to N514.6 billion in 2020 and jumped to N616.6 billion in 2021 financial year. According to the industry bulletin report for 2022 financial period released by NAICOM, the industry paid claims totaling N318.2bn to its customers in the period under review. A claim of N336.8bn was recorded in 2021, from N247bn in 2020 and N225bn in 2019. The claims paid in 2018 and 2017 were N252bn and N186bn respectively. Consequently, this profitability is hampered by weak investment

returns, rising maintenance and acquisition expenses as well as increasing claims as evidences of unsatisfactory financial performance resulting poor cash management strategies.

For the purpose of this study, cash management is measured by the ratio of cash and cash equivalent to total assets while financial performance on the other hand is proxy with net assets per share and market price per share. A net asset per share is a yardstick for measuring the performance of companies, especially property and investment companies. Net assets per share is usually calculated by dividing net assets (that is, total assets less total liabilities) by the number of equity shares in issue excluding any shares held in treasury (Febria, 2021). The market price per share of stock, or the share price is the most recent price that a stock has traded for. It's a function of market forces, occurring when the price a buyer is willing to pay for a stock meets the price a seller is willing to accept for a stock (Ajao & Fatogun (2023). Many studies show different results, for instance, Ifada, Indriastuti and Hanafi (2020), Olatunde and Ade (2021), Rocca and Cambrea (2022), Abushammala and Sulaiman (2023), etc. The contradictory debate on the cash management and firm financial performance stems from different characteristics of the firms or various institutional contexts which calls for further clarity.

Objectives

The main objective of this work is to evaluate the effect of cash management on financial performance listed insurance firms in Nigeria. Specifically, the study seeks to:

1. ascertain the effect of cash management on net assets per share of listed insurance firms in Nigeria;
2. investigate the effect of cash management on market price per share of listed insurance firms in Nigeria.

LITERATURE REVIEW

Cash Management

Cash is the most liquid cash asset owned by the company. The cash management plays a crucial role in the effectiveness of organizations. Cash held by companies that can be used to finance company investments or distributed to shareholders is called cash management (Gill & Shah, 2022). Companies need to sustain cash management stability to maintain company liquidity because it's also represents an indicator of a company's ability to pay off short-term debt (Ross, Westerfield & Jordan, 2023). According to Umry and Diantimala (2023), there

are many motives for companies to hold cash. It includes the transaction motive in which cash is held to meet short-term cash inflows and cash outflows such as meeting daily and investment needs. The second motive is the precautionary motive which reflects the idea of holding cash to pay future obligations which currently cannot be predicted by the company. Gill and Shah (2022) view cash holding as cash in hand or readily available for investment in physical assets and for distribution to investors. Cash management is important because it provides firms with liquidity, enabling them to pay their obligations on time even in bad times. Besides that, firms need to build up their cash holding to grow their sales and profits and also ensure the cash movement timing creates an overall positive cash flow situation. Cash management is an essential part of the firm's growth and survival. It receives a significant amount of consideration from investors and financial analysts. This concept also minimizes the firm's cash flow fluctuations and it is less pricey to turn excess cash into private benefits. It's used as a buffer between retained earnings and investment needs.

Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Okeke, 2021). There are many different ways to measure corporate performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt. According to Erikie and Osagie (2022), corporate performance is the measuring of results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added, return on equity, return on net worth, return on total assets and return on capital employed.

There are many different ways to measure financial performance, but all measures are taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. A firm's performance is a measure of how well it generates revenues from its primary mode of business. There are a multitude of measures used to assess a firm's performance, with each group of stakeholders having its own focus of interest (Dev & Rao, 2020). According to Ali (2022), the financial performance of

firms can be measured in terms of growth of its size (total assets), profitability (return on assets, return on equity, earnings per share) and market-based proxies (market price per share, net assets per share etc). According to Chandra (2022), one of the best ways of evaluating a sector financial performance is by the use of financial or ratio analysis. It shows the relation between one quantity or performance indicators over another, expressed mathematically and tries to summarize huge database for one eye view regarding the financial performance of a firm.

Net Assets Per Share (NAPS)

Net assets per share is a yardstick for measuring the performance of companies, especially property and investment companies. Net assets per share is usually calculated by dividing net assets (that is, total assets less total liabilities) by the number of equity shares in issue excluding any shares held in treasury (Febria, 2021). An increase in net assets per share, for example, by means of a share buyback, may lead to an increase in the market value of a company's shares. According to Ajao and Fatogun (2023), net assets per share is the value of an entity's assets minus its liabilities divided by outstanding shares. This represents the total value of an entity. The net assets value is defined as a company's net asset value and in terms of accounting, it is easy to detect. Total assets a company are equals the total liabilities and salaries of the shareholders. In other words, in terms of accounting, salaries of the shareholders are equal to the difference between assets and liabilities of the company. So in terms of accounting, net assets value of a company is equal to the equity of the company though the figure may not provide accurate reflection of the net value of assets due to some limitations of the statement of financial position's dates.

In the financial position statement, values of assets are reported to date each of the items or event occurred with some headings, such as investments and fixed assets. In some cases, the difference between historical cost and current values are very high that cause to great harm to the usefulness of the information assets on the statement of financial position. In the contrary column, all the liabilities are reflected by market daily value. The origin of this information related to the balance sheet in accounting principles. These factors causes to change method of calculation of net asset value and result may not be equal to the figure for equity. Thus, in order to calculate the exact value of net assets it is needed to discover the market value of these investments companies (Muhammad & Mohammad, 2022).

This is expressed mathematically as;

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NAPS = Net Assets

Paid up Capital

The hypothesis below was hence developed in order to expose the above views to further statistical analysis:

H_{01}: *Cash management has no significant effect on net assets per share of listed insurance firms in Nigeria.*

Market Price Per Share (MPPS)

The market price per share of stock, or the share price is the most recent price that a stock has traded for. It's a function of market forces, occurring when the price a buyer is willing to pay for a stock meets the price a seller is willing to accept for a stock (Ajao & Fatogun (2023). Stock prices are one of the most important factors that influence investors' investment decisions (Hemadivya & Devi, 2023). Thus, analysts place much emphasis on research on the stock market, especially stock price predictions. Changes in stock prices occur because of market forces, namely the purchase and sale of shares available on the market. Stock market prices depend on the demand and supply of shares in the market, which in turn depends on the financial performance of a particular company. In general, securities prices reflect company performance. Both economic and non-economic factors always influence the behavior of stock prices.

H_{02}: *Cash management does not have a significant effect on market price per share of listed insurance firms in Nigeria.*

Theoretical Framework

The Trade-Off Theory

The Trade-Off Theory was propounded by Miller and Modigliani in the year 1958. The trade-off theory points out those indebted companies find it difficult to obtain cash; hence, they usually hold more cash. Therefore, holding more cash is a certain form of insurance that reduces the likelihood of financial distress in the future, probably already intensified due to high leverage. Like debt, cash holding generates costs and benefits; and it is very important in financing the growth opportunities of the firm. The principal benefit of holding cash is that it constitutes a safety buffer (Levasseur, 1979 as cited in Banafa, Muturi, & Ngugi, 2021) which allows firms to avoid the costs of raising external funds or liquidating existing assets and also allow firms to finance their growth opportunities. Thus, insufficient amount of cash forces firms to forgo profitable investment projects or to support abnormally high costs of

financing. Two principal costs are associated to cash holdings. These costs depend on whether managers maximize shareholders' wealth or not. If managers' decisions are in line with shareholders' interests, the only cost of cash holdings is its lower return relative to other investments of the same risk. If managers don't maximize shareholders' wealth, they increase their cash management to increase assets under their control and so to be able to increase their managerial discretion. Thus, excess cash to increase assets and competitive advantage as demonstrated by Trade-Off Theory (Jensen, 1986).

Free Cash Theory

Free cash theory was propounded by Jensen in the year 1986. The theory notes that free cash flow affects investment expenses. Companies that have higher free cash flows will have higher investment expenses. This connection is explained based on the asymmetric information between financing and investment behaviors (Xiaoqiang & Pan, 2010). Information asymmetry occurs because the company management's internal side has better access to information than the external side lenders. Therefore, the external financing side will demand higher compensation for the capital. That makes the external capital costs higher than the internal capital costs. For that reason, the lack of information asymmetry will lead to severe economic limitations for companies (Xiaoqiang & Pan, 2010). Limitations will force companies to adjust their investment projects based on their cash flow. It can also lead to companies postponing or giving up profitable investments. The financial restrictions will lead to increased sensitivity to investment cash flow. Free cash flow theory focuses more on the issue of managers and shareholders. The free cash flow theory was presented by Jensen in 1986. Free cash flow is monetary funds available to suppliers after the company has paid all its necessary expenses to keep the firm running. Appropriate management of the working capital components can generate additional free cash flows (Jagadish & Sharmila, 2021). Thus, the theory is used to assess the financial health of listed insurance firms in Nigeria and its ability to generate cash. The free cash flow theory has been used to analyze how the company's performance is affected by cash management.

Empirical Review

Mwambui and Koori (2019) assessed the effect of cash management and financial performance of microfinance banks in Nairobi City County for the period 2011 to 2017. Thirteen microfinance banks made up the population of the study. For the secondary and primary data, a descriptive survey research design was employed for them. Data analysis for

the study was carried out with the use of SPSS version 22.0. It was discovered in the study that there is no reasonable but weak and positive relationship between capital sufficiency and financial performance, whereas the relationship between loan repayments and cash management is significant and positive with microfinance banks financial performance. A study on the impact of liquidity on profitability in textile sector in Pakistan by Sattar (2020) whose result from the simple regression using Stata 12 showed that current ratio has a significant and positive impact on return on equity and return on capital deployed in 2014. So also in 2015, current ratio has reasonable but positive effect on return on capital employed and return on equity.

Kitere, Namusonge and Makokha (2019) analyzed the effect of Liquidity management on performance of commercial banks in Kenya where a mixed research design was adopted for the study. The population of the study was made up by the 6913 employees in management and supervisory cadres in commercial banks in Kenya. The sampling approach used was stratified and unstructured and structured questionnaires were the tool for data collection and the source of data were both secondary and primary. The SPSS version 21 was used for analyzing of the data. The significant levels of the variables were tested using regression analysis and hypotheses were tested by ANOVA to test the significant levels of one variable to the other in the study. The results showed that the effect of liquidity management on the performance of commercial banks in Kenya is positive and significant. There was an attempt by Satyakama and Bhusan (2019) to analyze the impact the liquidity management on the profitability of private sector banks in India where they use ten (10) banks privately owned by individuals from 2013 to 2017. It was showed in the study that there exists a significant negative effect of cash to deposit ratio and investment to deposit ratio on return on assets, while the relationship between liquidity and profitability of the variables under study was significant in the case of return on equity. Otekunrin et al (2019) studied the performance of selected deposit banks in Nigeria and liquidity management where he used secondary data source obtained from the annual reports of fifteen deposit money banks from the total of 17 deposit money banks in Nigeria that are listed in Nigerian Stock Exchange from 2012 to 2017. According to the study, it was discovered that liquidity management measured with capital ratio, and current ratio and cash ratio has a positive relationship performance measure with return on assets. Therefore, the study revealed that liquidity management is vital to profitability of any business. The study conducted by Sanyaolu, Aloa and Ojunrongbe (2019) examined the effect of liquidity management on profitability of ten (10) Nigerian deposit

banks from 2008 to 2017. The study's random effects generalized least square estimate showed that a positive and statistically significant relationship exists between the two indicators liquidity management proxies (current ratio and liquidity ratio) and return on asset, however the study did not find empirical evidence in support of loan to deposit ratio (t = 1.0650, p = 0.2896) and deposit to asset ratio (t = -6507, p = 0.5168) as having influence on profitability of the selected banks, as results produced insignificant relationship with profitability. Waswa, Mukras and Oima (2018) examined the effects of liquidity management on the performance of firm, sampling five (5) sugar companies from 2005 – 2016 in Kenya. The estimation from the random effect regression showed there is negative association between liquidity management and financial performance of the firms being studied. The research also suggests that when liquidity is funded carefully, will lead to a good financial performance.

Adhikari (2020) studied the impact of liquidity on profitability in Nepalese commercial banks. 27 out of 28 commercial banks in Nepal were used for the analysis. A cross-sectional secondary data of the banks was employed. For data analysis, causal comparative and descriptive approaches for research were used. Furthermore, to determine the relationship between the variable's multiple general linear regression and correlation analysis were used. Findings from the study showed that statically the association between the driver's liquidity and profitability of Nepal commercial banks is insignificant. This study carried out in regard to the commercial banks in Nepal, however the current study is centred on the Nigerian insurance industry. Terseer et al., (2020) examined the effect of liquidity management on financial performance of banks in Nigeria from 2010-2018. Secondary source of data was employed for 5 banks that were listed on the Nigerian Stock Exchange. Estimation of model and Hausman test is done using panel regression analysis whilst determining to choose between the random and f ixed effect model. It revealed that the effect of liquidity ratio on drivers of profitability of deposit money banks is significant and positive. This study was limited or used little number of banks for its study. Therefore, it can't generalize its finding to all the deposit money banks in Nigeria.

Chinweoda et al., (2020) studied the effect of liquidity management on the performance of banks in Nigeria. The population sample for the study was eighteen (18) banks that are listed on Nigeria's stock exchange between 2011 to 2017. The study revealed that liquidity management has a positive and serious impact on profitability of those banks being studied.

Also, the study showed that capital adequacy has a significant effect on return on assets, return of equity, and return on capital being employed. Similarly, asset quality was found to have a positive and high effect on the drivers of performance. The main shortcoming of Chiwendo's work was the scope which involved banks in Nigeria and limited its findings on deposit money banks while ignoring development banks like Bank of Industry, Bank of Agriculture and Mortgage banks therefore his findings cannot be generalized due its broad scope and limited sample size. Anandasayanan and Subramaniam (2020) assessed the effect of liquidity management on banks profitability in Sri Lanka. The research work used 26 commercial banks in Sri Lanka from 1998 to 2017, making it a period of 20 years. The findings of the research showed that there is positive association between return on asset and capitalization ratio, whilst a negative relationship was found between capital adequacy ratio and return on asset and the results from the regression analysis also identified that liquidity has a very high impact on profitability.

A study on the impact of liquidity on profitability in textile sector in Pakistan by Sattar (2020) whose result from the simple regression using Stata 12 showed that current ratio has a significant and positive impact on return on equity and return on capital deployed in 2014. So also in Emmanuel 2015, current ratio has reasonable but positive effect on return on capital employed and return on equity. Kitere, Namusonge and Makokha (2019) analyzed the effect of Liquidity management on performance of commercial banks in Kenya where a mixed research design was adopted for the study. The population of the study was made up by the 6913 employees in management and supervisory cadres in commercial banks in Kenya. The sampling approach used was stratified and unstructured and structured questionnaires were the tool for data collection and the source of data were both secondary and primary. The SPSS version 21 was used for analyzing of the data. The significant levels of the variables were tested using regression analysis and hypotheses were tested by ANOVA to test the significant levels of one variable to the other in the study. The results showed that the effect of liquidity management on the performance of commercial banks in Kenya is positive and significant.

Onyeka, Nnado and Ugwuanyi (2020) examined the causal relationship between firm size, profitability and level of cash and cash equivalents of selected quoted manufacturing firms in the Nigerian Stock Exchange. Ex-post-facto research approach via panel least squares was employed to assess the nature and extent of association between these variables. Data were collated from the audited annual reports of thirty-seven (37) manufacturing firms for the

fourteen year period: 2005-2018. Diagnostic tests were carried out on the collated data using Levin-Lin-Chu panel unit-root test which confirmed their stationarity and Westerlund Panel Co-integration Tests that depicted the variables were not co-integrated in the long run. Hypothetical statements tested using Granger Causality Wald Tests portrayed that CASH and LnTA cause ROA (proxies for cash and cash equivalents, logarithm of total assets and return on assets respectively). These results imply that optimizing firms' profits necessitate striking the best liquidity-profitability trade-offs, otherwise firms keeping insufficient liquid assets may be forced to borrow from external sources at exorbitant costs or become illiquid. The study asserted that Nigerian manufacturing firms' profitability is proportionately and significantly influenced by size of the firm and adequacy of cash holdings.

From the reviewed literature, no existing work on cash management has been done in the Nigerian insurance industry having net assets per share and market price per share as proxies for financial performance. Also, the existing literature limited their scope to 2017. This work seeks to fill the gap by examining how cash management affects financial performance of insurance companies in Nigeria from 2015 to 2023.

MATERIALS AND METHOD

This study adopted the ex-post facto research design. The ex-post facto research design was chosen for this study because it helps in ascertaining the effect of independent variable on the dependent variable to be able to make predictions. Secondary source of data was used. This design was used in order to determine the effect of the explanatory variable cash management (CM) on the dependent variables net assets per share (NAPS) and market price per share (MPPS) and also because the data used cannot be manipulated or controlled. The population of the study covered the entire fourteen (14) listed insurance firms in Nigeria as at 2023 business list. The study used the entire population, thus, the population of the study becomes the sample for the study. The study covered a period of nine (9) years spanning 2015-2023. This period was characterised significantly with high inflation rate which was consistently above average compared to other countries in the region; this is largely attributed to factors like currency devaluation, fuel subsidy removal and rising food prices. Hence the period was proposed to draw a reliable conclusion. The data for our dependent variables; net assets per share (NAPS) was captured using net assets measured by paid up capital while market price per share (MPPS) was captured as the reported price to buy one share in a firm. Cash Management (CM) is proxy using cash and cash equivalent measured by total assets as used

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in the study of Ugwu (2020). The data were obtained from the Nigerian Exchange Group Factbook and Annual Reports and Accounts of the firms under review.

The researcher adapted and modified the models of ifada, Indriastuti and Hanafi (2021) and Olatunde and Ade (2021) in determining the effect of cash holding on firm performance of quoted firms in Nigeria. This is shown below as thus:

Ifada, Indriastuti and Hanafi (2021): $FV = \beta_0 + \beta_1 CH + \varepsilon$……Eqn 1.

Olatunde and Ade (2021): $ROE = B_0 + B_1 CH + \mu$ ……Eqn 2.

The modified functional model proposed for the study is shown below as thus:

NAPS = F(CM) &

MPS = F(CM)

The Econometric Form of the Regression used for the study is also shown below as thus:

$NAPS_{it} = \beta_0 + \beta_1 CM_{it} + \mu$……Eqn 3.

$MPS_{it} = \beta_0 + \beta_1 CM_{it} + \mu$……Eqn 4.

Where:

CM = Cash Management

NAPS = Net Assets Per Share

MPPS = Market Price Per Share

μ = Stochastic Disturbance (Error Term)

$_{t =}$ Time Variant for the Study

β_0 = Intercept of Relationship in the Model Constant

β_1 = is the Coefficient of the Independent Variable

'*A Priori*' *Expectation* is given as: $\beta_0, \beta_1 > 0$

RESULT AND DISCUSSIONS

Descriptive Analysis

Descriptive statistics was employed alongside the panel least squares regression model and other diagnostic test tools like Correlation Matrix and Durbin-Watson Statistics criterion to investigate this effect. Therefore, the variables for this study include net Assets per share (NAPS) and market price per share (MPS) as dependent variables while the independent variable for the study is cash management (CM). The variables used for the study was presented on tables as shown below and were used in the data analysis of the study.

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Table 1: Descriptive Statistics

	CM	NAPS	MPS
Mean	0.117302	0.057778	1.301032
Median	0.080000	0.530000	0.695000
Maximum	0.540000	3.860000	8.500000
Minimum	0.000000	-9.440000	0.200000
Std. Dev.	0.119187	2.419516	1.543994
Skewness	1.609683	2.516472	2.571479
Kurtosis	2.472072	2.753584	2.679444
Jarque-Bera	86.49618	2.445425	2.091652
Probability	0.897443	0.463521	0.109823
Sum	14.78000	-7.280000	163.9300
Sum Sq. Dev.	1.775683	731.7570	297.9898
Observations	**126**	**126**	**126**

Source: E-View 12 Computational Results (2024).

The table 1 above shows that the mean value of the net assets per share (NAPS) among the sampled firms was 0.06. This implies that a net asset per share of listed insurance firms in Nigeria is determined by cash management. The maximum value for the study was 3.86 while the minimum value was -9.44. This wide variation in maximum and minimum values of firm NAPS among the sampled firms justify the need for this study that firms' net assets per share is determined by cash management at a degree risk of 2.42%. The distribution for net assets per share (NAPS) is platykurtic since the kurtosis (2.75) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.463 is greater than 0.05, which means that the distribution of firm net assets per share is not different from a normal distribution.

The average value of market price per share (MPS) among the sampled firms was 1.30. This implies that market price per share of quoted insurance firms in Nigeria is determined by cash management. The maximum value for the study was 8.50 while the minimum value was 0.20. The variation in maximum and minimum values of MPS among the sampled firms justify the need for this study that cash management is a determinant of firms' market price per share at a degree risk of 1.54%. While the distribution for market price per share (MPS) is platykurtic since the kurtosis (2.68) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.1098 is greater than 0.05, which means that the distribution of market price per share does not deviate from a normal distribution. The mean value of cash management

(CM) for the sampled firms' was 0.12. This means that firms with CM values of 0.12 and above hold cash to conduct its business in normal course which helps them to avoid premature failures that decimate shareholder value. The maximum value for the study was 0.54 while the minimum value was .0000. The wide variation in maximum and minimum CM values among the sampled firms justify the need for this study that firms with higher CH values are higher profit making firms than those firms with low CM values at a risk of 0.12%. While the distribution for cash management (CM) is platykurtic since the kurtosis (2.47) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.897 is greater than 0.05, which means that the distribution of cash management is not different from a normal distribution.

In an effort to establish the nature of the correlation between the dependent and the independent variables and also to ascertain whether or not multi-collinearity exists as a result of the correlation between the variables, Table 2 was incorporated which provides an insights into the nature and extent of correlation between the dependent and independent variable.

Table 2: Correlation Matrix

Variables	CM	NAPS	MPS
CM	1.000000		
NAPS	0.162574	1.000000	
MPS	0.268872	0.204585	1.000000

Source: E-Views 12 Computational Results (2024).

Table 2 above shows the relationship between the independent variable and all pairs of the dependent variables used in the regression model. It reveals that the dependent variables (NAPS & MPS) have positive correlation with the independent variable (CM) while the values on the diagonal are all 1.0000 which shows that each variable is perfectly correlated with itself.

Test of Hypotheses

Hypothesis One

Panel Least Squares Regression Model was developed to test the linear relationship between the dependent and independent variables. It was operated using E-View 12 as shown in the Tables 3 and 4. Thus, the hypothesis is restated as follows:

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H_{01}: Cash management has no significant effect on net assets per share of listed insurance firms in Nigeria.

H_1: Cash management has a significant effect on net assets per share of listed insurance firms in Nigeria.

Decision Rule: accept Ho if P-value >1%- 5% significant level otherwise reject Ho

Table 3: Panel Least Squares Regression Result on Effect of Cash Management on Financial Performance *(NAPS)* of Listed Insurance Firms in Nigeria

Dependent Variable: NAPS
Method: Panel Least Squares
Date: 07/30/24 Time: 12:17
Sample: 2015 2023
Periods included: 9
Cross-sections included: 14
Total panel (balanced) observations: 126

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	3.300283	0.798761	4.131753	0.0000
C	1.444906	0.300196	4.813208	0.0000

R-squared	0.566430	Mean dependent var	0.057778
Adjusted R-squared	0.518579	S.D. dependent var	2.419516
S.E. of regression	2.396934	Akaike info criterion	9.602004
Sum squared resid	712.4165	Schwarz criterion	9.647024
Log likelihood	-287.9262	Hannan-Quinn criter.	8.620294
F-statistic	3.366321	Durbin-Watson stat	2.004059
Prob(F-statistic)	0.038939		

Source: E-Views 12 Computational Results (2024)

In Table 3, R-squared and its adjusted R-squared values were (0.67) and (0.65) respectively. This is an indication that the independent variable explained about 67% of the systematic variations in return on equity (ROE) of our sampled firms over the nine-year period (2015-2023) while 33% of the systematic variations are captured by the error term. The F-statistics 8.433581 and its P-value of (0.000000) portrays the fact that the Panel Least Squares Regression Model is well specified. With this, the researcher affirms the validity of the regression model adopted in this study.

Test of Autocorrelation

Using Durbin Watson (DW) statistics, 1.952861 was obtained from the regression result as shown on Table 3. This agrees with the Durbin Watson rule of thumb which indicates that the

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data is free from autocorrelation problem and as such fits for the regression result to be interpreted and relied on. Akaike Info Criterion, Schwarz Criterion and Hannan-Quinn Criterion which are 10.854111, 9.899131 and 11.872401 respectively further strengthen the fitness of our regression result for reliability as it confirm the goodness of fit of the model specified. In addition to the above, the specific findings from our explanatory variable from panel least squares regression model as shown on Table 4 is provided below as thus:

H_{01}: Cash management has no significant effect on net assets per share of listed insurance firms in Nigeria.

This hypothesis was tested and the result of the regression model as exposited on Table 4 indicates that the relationship between cash management (CM) and net assets per share (NAPS) is positive and significant with a P-value (significance) of 0.0000 for the model which is less than the 1% level of significance adopted. Likewise the result of positive coefficient of 3.300 for the model indicates that, an increase in corporate cash management increases firm net assets per share by 3.3%. This implies that corporate cash management decides firm financial performance on Nigeria. We therefore rejected the null hypothesis and accepted the alternate hypothesis which states that cash management has a significant effect on net assets per share of listed insurance firms in Nigeria.

Hypothesis Two

Table 4: Panel Least Squares Regression Result on Effect of Cash management on Financial Performance *(MPPS)* of Listed Insurance Firms in Nigeria
Dependent Variable: MPPS
Method: Panel Least Squares
Date: 07/30/24 Time: 12:17
Sample: 2015 2023
Periods included: 9
Cross-sections included: 14
Total panel (balanced) observations: 126

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	0.020755	0.006677	3.108502	0.0023
C	0.090298	0.013450	6.713734	0.0000

R-squared	0.722292	Mean dependent var	0.117302
Adjusted R-squared	0.644811	S.D. dependent var	0.119187
S.E. of regression	0.115260	Akaike info criterion	11.467512
Sum squared resid	1.647314	Schwarz criterion	11.422492
Log likelihood	94.45328	Hannan-Quinn criter.	11.449222
F-statistic	9.662784	Durbin-Watson stat	2.045168
Prob(F-statistic)	0.000000		

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Source: E-Views 12 Computational Results (2024)

In Table 4, R-squared and its adjusted R-squared values were (0.72) and (0.64) respectively. This is an indication that the independent variable explained about 72% of the systematic variations in market price per share (MPPS) of our sampled firms over the nine-year period (2015-2023) while 28% of the systematic variations are captured by the error term. The F-statistics 9.662784 and its P-value of (0.000000) portrays the fact that the Panel Least Squares Regression Model is well specified. With this, the researcher affirms the validity of the regression model adopted in this study.

Test of Autocorrelation

Using Durbin Watson (DW) statistics, 2.045168 was obtained from the regression result as shown on Table 4. This agrees with the Durbin Watson rule of thumb which indicates that the data is free from autocorrelation problem and as such fits for the regression result to be interpreted and relied on. Akaike Info Criterion, Schwarz Criterion and Hannan-Quinn Criterion which are 11.467512, 11.422492 and 11.449222 respectively further strengthen the fitness of our regression result for reliability as it confirm the goodness of fit of the model specified. In addition to the above, the specific findings from our explanatory variable from panel least squares regression model as shown on Table 4 is provided below as thus:

H_{04}: Cash management does not have a significant effect on market price per share of listed insurance firms in Nigeria.

This hypothesis was tested and the result of the regression model as exposited on Table 4 indicates that the relationship between cash management (CM) and market price per share (MPS) is positive and significant with a P-value (significance) of 0.0023 for the model which is less than the 1% level of significance adopted. Likewise the result of positive coefficient of 0.021 for the model indicates that, an increase in corporate cash management increases firm market price per share by 0.021%. Thus implies that corporate cash management is a determinant of firm market price per share in Nigeria. We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that Cash management has a significant effect on market price per share of listed insurance firms in Nigeria.

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CONCLUSION AND RECOMMENDATIONS

The study having examined the effect of cash management on firm financial performance in Nigeria, notes that between the two categories of firm financial performance measures covered in this study; cash holding exerts more influence on the net assets per share (NAPS) followed by market price per share (MPPS). Therefore, the study concluded that cash management ensures financial performance of listed insurance firms in Nigeria. In the light of the findings of the study, the following recommendations were made:

1. That managers should consider the financial condition of a firm to determine the optimal cash management due to the different effects since optimum cash management ensure firm net assets value.
2. Managers should determine the optimum cash management to avoid the negative effect on firm market price per share such as tax disadvantage or the opportunity cost.
3. The management of insurance companies should guarantee that most inactive cash are invested to attract higher returns because it will eventually increase the performance of the companies.

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