

IMPACT OF LIQUIDITY AND SALES GROWTH ON FINANCIAL PERFORMANCE OF LISTED INDUSTRIAL GOODS FIRMS IN NIGERIA

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Abstract

This study examined how liquidity and sale growth impact on financial performance of listed industrial goods firms in Nigeria. A correlational research design was used for the study. The population of the study consist of twelve (12) listed industrial goods firms in the Nigerian Exchange Limited. In arriving at the sample size the census sampling technique was used, hence twelve (12) listed firms. The study period ranges from 2010 to 2022 thereby establishing a thirteen (13)-year period. While data were sourced secondarily the study used multiple regression analysis to analyse the data. From the analysis the findings revealed that liquidity has a positive but insignificant impact on financial performance while sales growth has a negative but significant impact on financial performance of listed industrial goods firms in Nigeria. Based on the findings the study recommended that the firms should maintain an adequate liquidity level that can meet maturing obligations as they fall due. Nevertheless, management of listed firms should continuously review the sales growth while ensuring that cost of operation is put in check in order to improve performance.

Keywords: liquidity, sales growth, financial performance, listed industrial goods firms, Nigeria

1. Introduction

Financial performance is the measurement of the outcomes of a firm's policies, strategies, and operations in monetary terms (Abdullahi, 2020). Financial performance plays an important role in determining their overall success and sustainability in a competitive market of manufacturing industries. Financial performance refers to the evaluation of a company's overall financial health and its ability to generate profit and manage its resources efficiently over a particular period.

Measuring financial performance often involved various matrices such as profitability, revenue growth, return on investment and asset management efficiency. Firm can measure its financial performance by its revenue growth which show the firms sales growth over time. (Tommy, 2022) . Net profit margin also measures firm strategies which reflect operational efficiency (Ganda, 2022). Financial performance reflects a firm's efficiency and profitability over time, commonly measured using ratio such as Return on Equity ROE, Return on Assets ROA and profit margins. (Azam, 2017)

Liquidity ratio indicate the firm ability to meet short-term obligation. Adequate liquidity allows firms to manage operational costs, invest in growth opportunities, and mitigate risks associated with financial distress. A higher liquidity ratio often correlates with

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better financial stability which increase investor's confidence. A firm with a higher liquidity ratio indicates a good cost management.

Sales growth is associated with revenue generation, market share capital and profitability. However, if a company grows too rapidly with corresponding liquidity management, it may face cash flow challenges, impacting its financial health. Sales growth increase the firm's revenue giving the ability to pay financial obligation, increase revenue, improved cash flow, enhance working capital and reduce financial risk (Grealey, 2011). According to Khan (2022), a firm should maintain a balance between liquidity and sales growth; and this tend to reflect superior financial performance. Adequate liquidity enables business to support growth initiative without straining resources, thus promoting sustainability.

The operation of industrial goods firms could be challenged by increase in general cost of business, increase in exchange rate, rising importation of raw material cost. These costs impact on sales growth and making it difficult for firms to pay their financial obligation (Omolola, 2023) The study of Agu (2024) attributed these challenges to instability of power supply and high cost of gasoline which has increase operational cost of industrial goods firms in Nigeria.

Furthermore, the value of the naira has been on an unsettled path, with the currency weakening against major global currencies. As the cost of importing raw materials rises, local manufacturers find themselves squeezed; the high price of doing business in Nigeria where inflation often outpaces wage growth creates an environment in which margins shrink and operational costs soar. (ThisDay, 2024).

In line with these challenges, the study raised these questions as a path to finding solutions. Therefore, the study suggested to what extent does liquidity affect the financial performance of listed industrial goods firms in Nigeria. In addition, to what extent does sales growth affect the financial performance of listed industrial goods firms in Nigeria. While this study attempted to find solutions, the objective of the study is to determine the impact of liquidity and sales growth on financial performance.

In line with the objective of the study the following hypotheses were formulated and tested:

H₀₁: There is no significant effect between liquidity and financial performance of listed industrial companies in Nigeria.

H₀₂: There is no significant effect between sale growth and financial performance of listed industrial firm in Nigeria.

The study considered the impact of liquidity and sales growth on financial performance of listed industrial goods firms in Nigeria from 2010 to 2022. The selection of this period was characterised by the devaluation of naira, and its consequences on high cost of importation and high rate of inflation. Engaging this study would add to the existing body of knowledge in respect to the liquidity and sales growth on financial performance. Nevertheless, this study would provide an understanding on the market conditions, competitive landscape and trends that affect the industrial goods firms. Furthermore, the study would assist in the area of strategic planning, risk management, and decision making by

firms, investors, and policy makers.

2. Literature Review

Conceptual framework

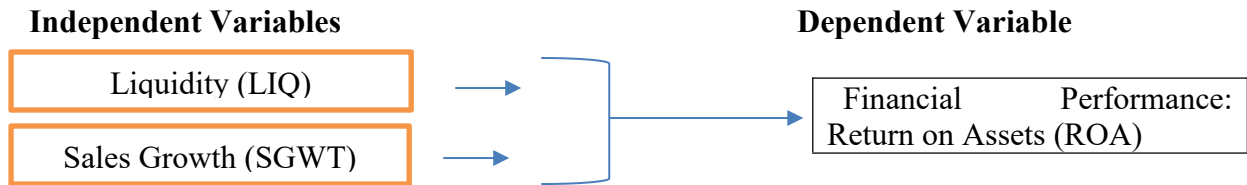


Figure 1

Source: Author's Research, 2025

Liquidity

Liquidity is the ability to convert assets to cash. In addition, according to Elsharif (2016), liquidity entails the capacity to convert assets into cash within a short period of time in order to meet financial obligations. This definition was corroborated by Hussain (2020), who defined liquidity as the amount of money readily and available to meet up with debt or that can be used for investment.

Sales Growth

Sales growth is an increase in the number of sales from year to year or from time to time (Wahyudi, 2020). According to Iskandar (2021), sales growth is an indicator of the demand and competitiveness of companies in an industry. If sales growth is high, it will reflect increased income. Sales growth is an essential parameter for survival and financial growth of the company (Bhasin, 2018).

Empirical review

Liquidity and Financial Performance

Allan (2023) Effect of liquidity management on financial performance of insurance companies in Nigeria. periods of 2014 to 2019 population of the study consisted of twenty (20) insurance firms listed. Secondary sources of data were used for data collection GLS random effects regression was employed as method to analyze the data of the study. The purpose of the study, study results revealed that capital adequacy ratio is the major factor that influences financial performance. The study recommended that, management of quoted insurance firms should offer their shares to the general public.

Dimas (2022) examined the effect of capital structure, liquidity, and profitability on financial distress with the effectiveness of the audit committee as moderating variable. The study period is from 2018-2020 and the study have a sample size of 17 construction and building sub-sector. Secondary sources of data were used for data collection of the study obtained from the annual financial statement. Regression panel was used as techniques for data analysis. The findings of the study revealed that liquidity does not negatively affect financial distress. The study concluded that Liquidity does not negatively affect financial distress in construction and building companies. This is due to the crisis and pandemic which makes the company difficult where all sectors are also affected systemically. The study concluded that construction companies should make the right policies in planning the firm's strategy in the face of pandemic and crisis conditions so that construction firm can avoid financial difficulties.

Horsfall (2022) studied, "Liquidity and Financial Performance of Listed Nonfinancial Companies in Nigeria. The study period was from 2009 to 2013. The objective of the study

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was to establish the effect of liquidity on the financial performance of nonfinancial companies listed at Nigeria Exchange Limited. The study adopted census population sampling. Secondary source of data was used for data collection obtained from annual financial statement of the target population. Multiple regression analysis was used for data analysis. The result of the study showed that liquidity has positively affected the financial performance of non-financial companies listed. The study concluded that liquidity positively affect the financial performance of non-financial companies listed on the NGX. The study recommended that there is need for non-financial companies listed at the NGX to increase their current assets so as to increase their liquidity as it was found that an increase in current ratio positively affect the financial performance

Dadebo (2020) studied, "Impact of Liquidity Management on Profitability of Selected Manufacturing Firms in Nigeria." The study was for the period of 2012 to 2016. The sample size of the study was 10 selected manufacturing firms in Nigeria. Secondary sources of data were collected for the study which was generated from the audited annual reports of the selected firms for the study. Multiple regression was used as techniques for data analysis. The finding of the study revealed current ratio has negative and significant impact on profitability. The study concluded that adequate profitability and effective liquidity management are so important to the successful management of any business in order to meet the purpose of the organization and to fulfil both its short-term and long-term goals through its strategic planning. The study recommended that government should make the environment conducive for manufacturing companies to have access to finance at moderate cost from banks and other financial institute. However, the study was also conducted six years ago and this suggest the need to extend the period of study.

Ogunbade (2020) studied Liquidity and Performance of Listed Manufacturing Companies in Nigeria. The study was for period of nine years from 2009-2018. The sample size of the study was 16 selected firms from the population of 20 listed manufacturing companies in Nigeria. The study employed the used of secondary sources of data from the audited annual financial report of the firms under review. Panel multiple regression was used as technique for data analysis, with the data using SPSS on E-view. The finding revealed that current ratio has no significant positive impact on performance of firms. In the findings of the study, quick ratio has a significant adverse effect on the performance while current ratio and cash conversion cycle have no considerable impact. The study also recommended that manufacturing should follow strictly all policies and practices which will make companies maintain a proper balance between what they have as liquidity position and profitability.

Okpiabhele (2020) studied Liquidity Management and Profitability of Consumer and Industrial Goods Companies in Nigeria. The study sampled size was 28 consumer and 15 industrial goods companies were selected from industrial goods sector while 15 from consumers' goods. The study data used was secondary sources of data collection from the annual report of NGX and Central Bank of Nigeria statistical bulletins. The study employed ordinary least square regression as technique for data analysis. The finding of the study revealed that debt has a significant negative impact on companies' profitability. At the same time, equity capital, as well as retained earnings, is more beneficial to firms than the debt financing of the oil and gas sector. The study concluded that quick ration and growth ration are significant and have a positive impact on profitability but current ratio is insignificant and have a negative impact on profitability. The study recommended that managers are to ensure

better monitoring of the firm, capital managing and control of cash inflow and outflow. This will encourage increase in cash flow and will also bring about adequate funding.

Kajola et al (2020) studied Effect of Liquidity and Leverage on Financial Performance of Nigerian Listed Consumer Goods Firms. The main objective of the study was to examine the effect of liquidity and leverage on performance of consumer goods firms in Nigeria. The study was for the period of 2012- 2017. Sample size of the study was 17 firms from a population of 28 listed consumers' firms. The study engaged the used secondary sources of data collection for the study obtained from published annual report of the firms under review. The study adopted the use of multiple regression method with OLS as technique of data analysis. The finding of the study revealed that effect on profitability that is (EPS) is significant. In conclusion, the study discovered that degree of operating leverage has an indirect and significant effect on profitability; degree of financial leverage exerted an insignificant direct effect on profitability; while degree of combined leverage produced significant and positive effect on profitability. The study recommended that to improve profitability level corporate managers and stakeholders most take advantage of debts tax shield from the interest in firm's capital structure.

Demirgüneş (2016) studied the effect of liquidity on financial performance: evidence from Turkish retail industry. The study period was 1998 to 2015. Secondary source of data was adopted for the study from the listed retail merchandising firms. Multiple Structural Breaks Unit Root Test of Carrion-i-Silvestre et al. (2009) was used as techniques of analysis. The finding of the study revealed long-run parameters estimated a significantly positive relationship between financial performance and liquidity. The study concluded that in subsequent study, the effect of liquidity on profitability in more diverse firm may be analysed by a way of focusing the operational dimension of liquidity management. The study recommended that in further studies, the effect of liquidity on profitability in different industries may be analysed by focusing the operational dimension of liquidity management as well.

Sales Growth and Financial Performance

Kalash (2021) studied the Impact of Sales Growth Base on the Association between Operating Leverage and Financial Performance. The study covered the period from 2008 to 2017. The study used sample size of 200 listed on Istanbul stock exchange consisting of 52 service and 148 industrial goods firms. The study used secondary sources of data collection from the annual report. Ordinary least squares were used as a techniques of data analysis. The study findings revealed that operating leverage has negative effect on profitability, and that the negative effect of operating leverage is stronger but (weaker) for firms with low (high) sales growth. The study recommended that companies with high operating financial leverage ought to improve their sales level to enhance their profitability and total performance. However, the study failed to show the underpinning theory. The study was conducted outside the environment of this study. So, it cannot be domesticated because of the difference in political, social and economic climate.

Iskandar (2021) studied the Effect of Profitability and Sales Growth on Company Value Moderated by Leverage. The study covered a period from 2016 – 2018. The study sampled size were 13 firms from the population of 43 manufacturing firms. The study secondary sources of data collection were obtained from financial statement. Multiple regression analysis was used as technique for data Analysis. The finding of study revealed that sales growth and profitability have no significant effect on firm value. Thus concurrently,

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sales growth and profitability cannot increase firm value. The study concluded that sales growth and profitability have no significant effect on firm value, thus sales growth and profitability can't increase firm value at the same time. The study recommended that subsequent research ought to find how firm value can be influenced by other aside leverage, profitability and sales growth. Time for research should be longer enough to provide a better picture.

Dewi et al (2019) studied the Effects of Leverage, Sales Growth, Firm Size, and Corporate Social Responsibility Disclosure on Earnings Response Coefficient (ERC). The study covered 2016-2018 periods. The population of the study were listed manufacturing with the sample size of 58 using purposive sampling technique. The study used secondary sources of data collection. The study used E-views as techniques for data analysis. The finding of the study revealed that leverage had a negative and significant effect on ERC and sales growth had a positive and significant effect on earnings response coefficient (ERC) The study concluded that when sales growth goes higher it will increase the value of ERC. The study concluded that the sales growth is a good forecaster of financial performance of agricultural companies listed in the NSE. The study affirmed that sales growth has a positive and significant effect on financial performance. The study recommended the period of observation of the study should be extended to 3 years.

Ghozali et al (2018) studied the Role of Sales Growth to Increase Firm Performance in Indonesia.” The study focused on filling the gap by testing the role of investment, growth rate of sales, firm size on firm performance. The study period was from 2010-2016. The sample size of the study was census covering 94 manufacturing firm on the Indonesia stock market. Secondary sources of data were used for data collection for the study which was obtained from Bloomberg. Panel data regression model was employed as technique for data analysis for the study. The study finding revealed growth rate of sales have a positive impact on firm performance. The study concluded that support investment made by firms will improve performance.

Samuel (2016) studied sales growth and financial performance in agricultural firms listed in the Nairobi Securities Exchange in Kenya. The study main objective was to determine the effect of sales growth on the financial performance. The period covered by the study was 2003 to 2013. The study used 7 listed agricultural companies as sample size of 220 financial accounting personnel of the companies as population of the study. Secondary source of data collection for the study was obtained from the listed company. Panel regression model was used as techniques of data analysis. Findings of the study revealed effect of sales growth on ROA showed that sales growth had a positive influence on ROA and that the variations in ROA could be explained by sales growth. The study concluded that firm sales increase, financial performance increase also. Sales an increment in each year was used as a measure of sales growth while financial performance was measured by ROA, return on equity and EPS. Inferential statistics (correlation and regression) was used for data analysis. A pooled OLS regression model was used to incorporate the time and space movements. The study also recommended that agricultural companies need to focus on sales growth opportunities since it exerts a significant effect on financial performance.

Hamidzadeh (2015) studied the Sales Growth and Growth Potential Effect on Financial Reporting Quality at Listed Companies in Tehran Stock Exchange.” The study period covered the period of 6 years from 2007 to 2011. The study population was listed firms on Tehran Stock Exchange, with the sample size of 100 firms. The study used

secondary source of data collection for the study extracted through the application of innovative outcomes. The study used multivariate regression as technique for data analysis. The study finding revealed that sale growth and potential growth have effect on financial reporting quality. In conclusion the study observed that financial reporting quality attract the attention of managers, shareholders and investors, task of managers is to improve the quality of financial reporting firms. The study recommended that firms should increase the firm fixed assets as this can be one of the factors that will affect the firm's assets.

Pinem (2013), studied the Analysis of Company Performance and Sales Growth to The Dividend Policy at the Public Liability Company in Indonesia Stock Exchange." The population study is public companies listed on the Indonesia Stock Exchange as at 2013. The multiple linear regression was used as tool of data analysis. The results showed that return on Equity, Sales Growth and Return on Assets simultaneously affect the dividend policy. The study concluded that since in the study the Sales Growth variable had a negatively effects on the Dividend Policy, this means that the faster the firm growth, the greater the need for the necessary funds to finance the firms, so that distributed dividends become low.

Sam (2013) studied sales growth, profitability and performance: empirical study of Japanese ICT industries with three Asian countries. The main purpose of this study was to investigate the performance by analysing sales growth ratio and profitability ratio. The population of the study was 24 ICT companies in Asian region which consist of Thailand, Malaysia, and Philippines; and 69 ICT companies in Japan. The results revealed that Japan and Asian did not have any significant difference with each other in sales growth performance.

Theoretical Review

Agency Theory

This study is anchoring on agency theory, agency theory was propounded by Jensen and Meckling 1976. This theory stated the fulfilment of the main reason of financial management that is maximization of owners (shareholder) wealth, the shareholders are refers to as principal. The maximizing of the shareholders wealth is given to professional who is called the Manager to manage the firm on behalf of the principal (shareholders).

Low liquidity can cause agency problems and can cause firm to suffer financially. Refer- ring to agency theory, agency problems exist in firms, but can be minimized through encouraging management to act in accordance with the interests of stakeholders. This can be done through increasing managerial ownership. A good way to overcome the principal-agent problem is by bringing into line the interests of the shareholders and the management in removing any conflict of interest.

Agency theory relates to sales growth since the agent is to ensure that he acts according to the desire or directive of his principal. Sales growth is highly important to improve financial performance to meet the principal's desire. But contrary to this, stakeholder theory explains that it is not enough for firms only to fulfil the principal's wishes but must also pay attention to stakeholders' interests to avoid conflict of interest by both the principal

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and the agent.

3. Methodology

Research Design

Correlational research design is the most appropriate research design for this study because it warrants testing of expected relationships between and among variables. Furthermore, the study used ex-post factor research design which focused on investigating past event.

Population and Sample of the Study

The total population of the study is thirteen (13) listed goods firms in Nigeria. However, the study used the judgmental sampling technique to arrive at twelve (12) firms through the use of filtering criteria that is based on availability of data and firms that are fully operational within the period of study.

Sources and Method of Data Collection

The study adopted secondary sources of data collection which was obtained from annual reports and accounts of the selected twelve (12) firms.

Model Specification

The study model is specified as: $ROA_{it} = \beta_{0it} + \beta_{1it} + \beta_{2LIQ_{it}} + \beta_{3SGWT_{it}} + \epsilon_{it}$Eqn 1

Where: ROA is Return on Assets; ι is Firm; t is Time; β_0 is Constant; β_1 - β_2 is Coefficient of the independent variables; LIQ is Liquidity; SGRWT is Sales Growth; and ϵ = Error term.

Technique of Data Analysis

The data was analyzed by use of quantitative approaches such as descriptive statistics, and panel multiple regression analysis of the 12 industrial goods firms over a period of 13 years which also assist in measuring both causes and effect of the relationship between dependent and independent variables.

4. Results and Discussions

Descriptive Statistics

Descriptive statistics provides insight into the nature and basic characteristics of the data obtained and analysed. The descriptive result is shown in table 1.

Table 1

Descriptive Statistics of the Variable

Variables	OB	Mean	Std dev	Min	Max
ROA	156	0.117	0.267	-1.800	1.240
LQ	156	0.573	0.426	0.020	3.400
SQRWT	156	0.126	0.165	0.210	0.830

Source: Summary Statistics from Stata (2022) output

From table 1 above, return on Asset has a minimum of -1.800 to a maximum of 1.240, while the mean is 0.117 and a standard deviation of 0.267. This shows that on average, the sampled firms have a value of 12% return from their operations. The minimum value is an indication that some industrial goods firms have up to 180% of loss, while some industrial goods firms have up to 124% as profit. The standard deviation of 0.267 signifies that the data deviate from the mean value from both sides by 26% implying that the data dispersed widely from the mean this suggests that the data will not be normal.

Liquidity (LQ) has a mean of 0.573 which also expressed the minimum value as 0.020 and the maximum value as 3.400. The standard deviation of 0.426 demonstrates that the

values are centered on the mean value, which means that there is not much dispersion away from the mean.

Sales growth has a mean of 0.126, with a minimum value of -0.210 as indicated above, and a maximum value of 0.830. This opined that on average Industrial goods Firms have an annual sales growth rate of 13%. The deviation of 0.167 is an indication that there is not much dispersion around the mean since the values are closely related. However, on the whole, there has not been a significant deviation in the sales growth rate.

Diagnostic Test

Analysis of the descriptive statistics of the study confirms the nature and the extent of dispersion of the data, which suggests that the majority of the data does not follow the normal distribution curve. Therefore, our test for normal data is conducted and the outputs are presented in table 2 as follows:

Table 2

Shapiro Wilk test for Normality

Variables	Obs.	W	V	Z	Prob>z
ROA	156	0.774	27.175	7.502	0.000
LQ	156	0.789	25.376	7.346	0.000
SQRWT	156	0.878	14.670	6.101	0.000

Source: Summary Statistics from Stata (2022) output

Generally, the absence of normality of data does not invalidate study estimation to be BLUE (Shao, 2003). The result of Shapiro wilk (W) test of normality indicates that the variable came from abnormally distributed population.

Correlation Result

The correlation matrix is used to determine the degree of relationship between the dependent variables of the study as well as the independent variables themselves. These associations among the variables of the study are presented in the table 3.

Table 3

Correlation Matrix

	ROA	FLEV	LQ	SGRWT	FSize
ROA	1.0000				
LQ	0.1524	0.0841	1.0000		
	0.0576	0.2968			
SGR	-0.3352*	0.0752		-0.1416	1.0000
	0.2968	0.3509		0.0779	

Source: STATA Output (2022)

The correlation matrix determines the degree of association between explainable variables and the explained variable. It is also used to pinpoint whether there is an association between the explainable variables themselves so that we can detect if a multicollinearity problem exists. The result from the output shows that there is a 15% positive and weak association between liquidity and financial performance measured by (ROA) of listed industrial good firms in Nigeria, as seen from the correlation coefficient of 0.1524 which is significant at 10% level of significance and with (p-value 0.0576).

Furthermore, table 3 also shows a 34% negative and average association between sales growth and financial performance of listed industrial good firms in Nigeria, from a correlation coefficient of 0.3352 which is significant at 1% level of significance (p-value 0.0000). The association between independent variables themselves suggests being mild as

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all coefficients are below the threshold of 0.80 as suggested by Gujarati (2003). This point to the fact that the variables are well selected and they can fit in the same regression model because there is the absence of exact correlations among pairs of independent variables, which is a requirement for regression analysis.

Robustness Test for the Study

To ensure the validity and reliability of all statistical inferences derivable from the regression model, the result of the robustness tests conducted is presented in this section. These tests include a test for Multicollinearity, the Breusch-Pagan/Cook – Weisberg Test of Heteroskedasticity (Hetest), Fixed and Random effect tests, the Hausman specification test for fixed and random effect regression, and least Square Regression.

Table 4

Robustness Test Results

Variable	VIF	1/VIF
LQ	1.03	0.974384
SGRWTH	1.03	0.973797
MEANS VIF	1.03	
Hetest	268.01	
Prob>F	0.0000	
Hausman Chi2	39.15	
Prob>Chi2	0.0000	

Source: STATA Output (2022)

It can be observed from the correlation matrix in Table 4 above that, the relationship among the independent variables themselves are not too strong, an indication that multicollinearity will not stance a menace to the model of the study. In a bid to establish the absence of serious multicollinearity among the exogenous variables, collinearity diagnostics test was observed as the variance inflation factors (VIF) and the inverse variance inflation factors (1/VIF) values portray no multicollinearity in the data as shown in table 4.4.1.

The data for this study is panel and panel data can lead to an error that is clustered and possibly correlated over time. This is due to the fact that each firm may have its own entity-specific characteristic that can determine its risk factor (i.e. unobserved heterogeneity). This may bias the outcome variable or even the explanatory variables. As such there is a need to control for that. As such, fixed effect (FE) regression and random effect (RE) regression were run.

The Hausman test shows that the fixed effect model is convenient for drawing conclusions. This can be confirmed from the Chi2 value of 39.15 with a probability value of 0.0000 which is significant at 1% level of significance as suggested by (Hoechle, 2014). This suggests that entity-specific attributes have no significant effect on the outcome variable. However, after running the test for homoscedasticity, the study observed that there is heteroskedasticity in the data; as such the basic RE would not be reliable. This can be confirmed from the hettest result which revealed the chi2 value is 268.01 with a p-value of 0.000.

In order to correct these anomalies, the HACC model was used (Hoechle, 2014); hence, the conclusion will be made based on the outcomes produced by the robust fixed effect model. The multicollinearity test was also led using VIF and the tolerance value (1/VIF). Multicollinearity threat was not found; as the VIF are consistently smaller than 10,

which produced a mean VIF of 1.04 while the tolerance values are consistently above 0.10. All these prove that multicollinearity will not pose a problem to the study inferences

Presentation and Discussion of Regression Results

In this section, the regression result is presented and the major findings are discussed.

Table 5

The Robust fixed Effect Regression Result (HACC Model)

Variables	Coefficient	T-values	p-values
Constants	0.208	0.81	0.415
LQ	0.057	0.79	0.428
Sgrwt	-0.495	-2.92	0.003
R-Squared	0.1671		
Adj R-Squared	0.1671		
F-Stats	27.10		
Prob>F	0.000		

Source: STATA Output (2022)

Table 5 shows that the independent variables proxies by the financial performance have a positive and significant impact on the performance of listed industrial good firms in Nigeria. The cumulative correlation between a dependent variable and independent variable indicates that the relationship between financial performance used in this study is positive, strong, and statistically significant at 1% level of significant. This implies that for any ₦1 changes in financial performance of industrial good firms in Nigerian, the level of performance will be directly affected by increasing performance at 20.8%.

The cumulative R^2 (0.16.7) is the multiple coefficients of determination given the proportion of percentage of the total variation in the dependent variable explained by the independent variables jointly. Hence it signifies that 17% of the total variation in financial performance of listed industrial goods firms in Nigeria is by the level of Firm Liquidity and Sales Growth. This indicates that the model is fit and the explanatory variables are properly selected, combined, and used. This can be confirmed by the value of F statistics of 27.10 at 1% level of significance. However, the result is not supersizing as it's within the researcher's prior expectation.

The result also reveals that the coefficient of liquidity indicates a positive association with financial performance this suggest that liquidity can potentially enhance the firm performance. However, t-value and p-value indicate that the relationship is not statistically significant; it means that we cannot confidently state that liquidity impact financial performance. This supported by the findings of Dimas (2022). However, it is contrary to the findings of Dadebo (2020).

Sales growth, the negative coefficient suggests that as sale growth increase financial performance tend to decrease. This could imply challenges in maintaining profitability during the period of rapid sales growth, which might be due to increase in costs, inefficiencies or ineffective scaling. The t-value and the p-value confirm this negative relationship is statistically significant meaning that one can reject the null hypothesis and conclude that sales growth does have a measurable effect on the financial performance. The implication of this finding is that for every ₦1 increase in sales, the financial performance of industrial goods

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firms will reduce by N49.50k.

Policy Implication of the Findings

This study focuses on the determinants of the financial performance of listed industrial goods firms in Nigeria. The findings from this study have the following implications for the board of Directors of Industrial goods firms in Nigeria.

- (i) The findings also imply that liquidity ratio should be considered since it does not enhance performance. So, the study suggested that regulatory body should formulate a deliberate policy to enhance liquidity financing for industrial goods firms should be of policy relevance to the regulatory authority in issuing guidelines for sourcing funds that will boost the economic activities in the market in particular and the economy in general.
- (ii) The study also revealed that sales growth has a significant impact on the performance of the firms. This implies that sales should be increased in all the outlets and the firms should have more sales outlets to increase sales in other to enhance performance. Management should key into this by increasing production so that sales will be enhanced to increase profitability thereby enhancing performance

5. Conclusion and Recommendations

Conclusion

In line with the findings of this research, the study concluded that liquidity has a statistical, positive and insignificant effect on the financial performance of listed industrial goods firms in Nigeria, meaning that the level of liquidity does not matter in the firms. Liquid asset does not affect financial performance of industrial good firms in Nigeria. To enhance financial performance, the companies have to strategies means of financing productivity so that profitability with short term debt ratio is properly managed. It can enhance financial performance.

Sales growth shows a negative but significant impact on the financial performance of listed industrial good firms in Nigeria. This shows that when sales is improve, financial performance will be affected.

Recommendation

Liquidity was found to have a positive an insignificant impact on financial performance of listed industrial good firms. It is therefore recommended that liquidity should proportionately not exceed debt ratio as this will help the management of industrial good firms to take advantage of tax benefits without suffering from financial distress.

Lastly, sales growth has a significant negative influence on financial performance of listed industrial good firms in Nigeria. It is therefore recommended that the management of industrial good firms should take into cognizance the total cost implication of the expenses on sales and increase the quantity of good sold in other to enhance financial performance.

Limitations of the Study

This study is not without limitations. Some of the limitations include the following; This study is limited to listed industrial good firms in Nigeria under the period of review; therefore, the findings are not applicable to non-listed firms. Other studies could also be replicated to study other variables other liquidity and sales growth.

Suggestions for Further Study

More independent variable should use in state of two; future research may draw more insights from life-cycle theory to explain how many other variables that could influence financial performance. Another avenue for future research is to investigate the factors of financial performance at different stages of the firm life cycle. However, other of corporate financial performance encompass the variables captured in this study. Therefore, future researches could be replicated in this file to incorporate other variables such as capital adequacy ratio, asset growth and firm size amongst others which were not captured in this study.

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