CASH MANAGEMENT AND THE EARNINGS PER SHARE OF CONSUMER GOODS MANUFACTURING COMPANIES LISTED IN NIGERIA

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Abstract

Ineffective cash management has been a recurring managerial problem raising fundamental concerns on competencies and ability of managers to managing corporate assets. While lack of optimal assets utilization and defective credit policies in consumer goods manufacturing companies had resulted to insufficient corporate performance, leading to lower earnings per share. This study sought to investigate the effect of cash management on the earnings per share of consumer goods manufacturing companies listed in Nigeria.

The study explored ex-post facto research design. The population consisted of 20 consumer goods manufacturing companies listed on the Nigerian Stock Exchange as at 31st December 2019. Ten consumer goods manufacturing companies were selected using random sampling technique. Data were extracted from published financial statements of the sampled companies, while the validity and reliability of the data were premised on the scrutiny and certification by the external auditors. Descriptive statistics and inferential statistics were used for the data analysis.

The study revealed that earnings per share of consumer goods manufacturing companies in Nigeria were significantly affected by cash management. Results showed that cash management had a positive significant effect on earnings per Share of the companies, (AdjR^2 = 0.0121; Wald-Chiz $_{(4, 95)}$ =35.88; P-value = 0.000).

The study concluded that cash management had positive affect on earnings per share of consumer goods manufacturing companies in Nigerian. The study recommended that shareholders, managers, policy makers, and other stakeholders should create investible business environment and opportunities in Nigeria. Managers should ensure an effective and efficient credit policies to maximize both receivables and payables periods to ensure effective cash management to guarantee improved earnings of consumer goods manufacturing companies listed in Nigeria.

Keywords: Cash management, Earnings per share, Inventory Turnover ratio. Payables payment period, Receivables collection period, Quick ratio.

Introduction

In a dynamic, fast paced, and competitive business environment, business entities globally face increasing challenges that affect their performance and ultimately earnings per share. Manufacturing companies in the global space are not left out in this struggle, as manufacturing company globally are involved (Smith & Umit, 2019). These challenges among others have led business managers and stakeholders to continuously seek for ways to enhance the overall performance of their companies improved returns to stakeholders. In the last decade there has been an increasing decline in the performance of manufacturing companies in European countries (Booth & Zhou, 2017). Majority of these companies have failed going concern integrity test based on some related studies and ranking carried out (Brush, Bromiley & Hendrickx 2018). Public and private owned corporations in Canada are not exempted from the problem of corporate survival battle, according to the study of Gill, Nahum and Mathur (2017) based on Canadian economy, majorities of manufacturing companies are faced with heavy taxation, high cost of production and stiff competitive in sharing the available market space in the industry which affect their returns to shareholders.

From the developing countries, the performance of manufacturing companies is generating concern. Some studies have attributed lower returns to shareholders is due to low production capacity, high cost of production, dilapidated assets, epileptic electricity supply, insecurity, and unstable business operational environment (Agbaja & Afolabi 2016; Bari, Muturi & Samantar 2019; Okpe & Duru 2016; Oladejo, Akende &Yinus 2017).

The manufacturing companies of the Nigerian economy have been experiencing stagnation, failure, and distresses of companies and lower earnings and dividend payment for decades (Oladejo *et al.,* 2017). Manufacturing organizations in Nigeria utilized a little over fifty per cent of their installed capacities (MAN 2016). The sectoral capacity utilization of the Nigeria's manufacturing companies in 1990 was 40% and stood at 53.9% in 2008, thereafter varies between 48% percent and 60% between 2011 and 2019 (Central Bank of Nigeria Statistics Statistical bulletin 2019). The capacity under-utilisation snowballs into very adverse business times, thus affecting not only returns to shareholder but the Nigerian economy as whole (Agbaja & Afolabi 2016; Okpe & Duru 2016; Owolabi & Ebida 2012; Uchenna & Okelue 2012). The development of the companies is sluggish and very low compared to other strong economies of the world (Afolabi & laseinde 2019; Idisi, Ugwu & Sefugha, 2018).

Also, the current negative performance index of manufacturing companies in relation to the contribution to gross domestic product (GDP) does not portray the potential of the companies for the development of the economy in terms of employment, government revenue, foreign earnings, and potential contribution to GDP (Duru & Okpe 2016). Penelope and Thirlwall, (2013) opined that steady growth in the manufacturing companies propels a nations' economy in the direction of positive and sustained growth because of the impact of the companies on the GDP of the nation. Manufacturing companies' contribution to gross domestic product (GDP) has suffered a setback over the years from 20.12% in 1994 to 7.05% in 2008 and 6.55% in 2010, before improving marginally to 9.75% in 2019. (Central Bank of Nigeria Statistics Statistical bulletin 2019).

Though many factors contribute to growth and earnings prospect of an entity, resource management, profitability, solvency, stability, and liquidity of the entity are paramount to its survival (Enekwe 2015). Cash management is at the center of resource management, adequate management of cash has a direct effect on the profitability of firms.

The management of cash in no small measure impacts the performance and ultimately earning per share. (Duru, 2015; Ezeamama, Ugbor, Eze 2014). Cash management is germane to the earnings ability of a company because an entity that cannot generate enough cash flows from its operations to meet its short and long-term obligations as well as its operational needs is unlikely to attract sufficient profit. Like the blood which gives life and strength to the human body, it gives life and strength to an organization (Duru 2015; Ezeamama *et al.,* 2014). According to Umo and Ofe (2017) cash management is of great importance to continuity of business venture or an organization. A company may make products/services that may be marketable to consumers; it may be immensely profitable but unless its cash is effectively managed, it may not operate at an optimum level. A good number of firms have wasted very significant proportion of their resources by excessive holding of idle cash that is simply due to inadequate insight into what effective cash management is all about (Iyiama, Nweze & Nze 2016; Nwankwo & Osho 2010). According to Madushanka and Jathurika (2018) one of the major reasons that may cause liquidation is inability to make adequate profit and maintenance of adequate liquidity. Improper cash management leads to decrease in company's liquidity thus exposing the enterprise to risk of it being not able to meet its obligations, which leads to reduction in its profitability, earning per share and sales growth Thus, operation cost become high and at the end the company may become insolvent (Bari *et al.,* 2019).

It is against this background that various corporate firms and researchers highly recognized the importance of cash management since it aids the capacity of an organization to attract sufficient profit for its owners. (Iroegbu, Nnado & Onyeka 2018). Furthermore, the nature of African economy, makes it an important issue for companies to manage their resources effectively, including investing excess cash where the need arises (Dhar & Aziza 2018; Egbide, Uwuigbe & Uwalomwa, 2013; Iroegbu *et al.,* 2018; Nwude, Agbo & Ibe-lambert 2018). These factors coupled with fact that Nigeria has since become an import dependent nation, depending on others for food and basic needs with the adverse effect on our currency and balance of payment position including her reputation in the committee of nations, makes it imperative to find a solution to comatose state of our manufacturing companies (Nwarogu & Iormbagahd 2017). It therefore becomes imperative to ascertain if cash management is a veritable tool at enhancing the earnings per share of consumer goods manufacturing companies in Nigeria. Consumer goods companies are those companies that engage in the production and distribution of goods and services for daily usage of households.

Statement of Problem

There has been a large agreement that the poor financial performance of Nigerian manufacturing firms affects their operations and reflects in the bottom line (Dhar & Aziza 2018; Duru & Okpe 2016; Egbide *et al.,* 2013; Kwode, 2015; Manyo & Ogakwu 2013). The Central Bank of Nigeria, CBN, reported that Nigeria's manufacturing companies performed dismally in 2016 as manufacturers faced several challenges which affected them negatively. These challenges affect the bottom line, which reflects in lower profitability and lower earnings per share. (Chowdhury, Alam, Sultana & Hamid 2018; Dhar & Aziza 2018; Nijam 2016).

Manufacturing companies in Nigeria recorded a general decline between January and December 2016 as indicated by the Purchasing Managers Index (PMI), even though there was slight improvement between within the range of 55-58 between 2017 and 2019, it dipped in the wake of the Covid-19 pandemic to low as 42 in June 2020 and 48 by October

2020 (CBN, 2020). The PMI is an indicator of the economic health of the manufacturing companies. The index which is based on five indicators of new orders, inventory levels, production, supplier deliveries and the employment environment stood below 50 index point in the months of January to November 2016 and indicated decline in industrial production. According to MAN report 2017, in 2016 alone 272 firms were shut, while some reduced their production output. Inability to meet obligations as they fall due can lead to closure and gradual demise.

Specifically, the problems associated to earnings per share of consumer goods manufacturing company that this study attempts to address are problems of low sales growth, low earnings per share, low profit, and declining return on asset. There is the problem of resource management, as some managers of manufacturing companies lack optimal utilization of corporate resources, which ultimately affect volume of sales (Ahmadu & Aguavese, 2019); Inability to maintain adequate market share in the industry due to poor quality of products and inadequate liquidity management; Majority of key positions are being occupied by less qualified personnel who lack prerequisite competence and inability to monitor early signals of poor performance to sustain the survival of consumer goods manufacturing companies in Nigeria (Ogosi & Agbaeze, 2018; Iyiama *et al.,* 2017). According to Oladejo *et al.,* (2017), these companies have weak competitive comparative advantage, leading to low sales turnover and lower patronages of foreign products to the disadvantages of the locally produced products. Besides, Nigerians has high appetite for foreign made goods, leading to decline sales of Nigerian made goods.

High cost of production overheads and problem of capacity under-utilizations and persistence usage of analog machines has adversely affected the return on assent (ROA) of manufacturing companies in Nigeria. According to Akinleye and Dadepo (2019) capacity utilization has significant positive effect on the financial performance of manufacturing companies in Nigeria. Over the years, under- utilization of asset coupled with liquidity problems and high overhead cost has led to poor performance of the companies which is reflected in low profit, earnings per share and return on asset (Akinleye & Dadepo 2019). Out of ten manufacturing companies selected at random, Akinleye and Dadepo (2019) observed that their return on asset was a steady declining trend between 2013 and 2016.

The nation's manufacturing sector is gasping for breath. The study further explained that profitability and returns to investors has been badly affected due to the challenges faced by manufacturers which are evident in difficulty in accessing foreign exchange (forex) to procure raw materials not locally available; high cost of electricity/power; and high cost of transportation. Others are low aggregate demand for commodity; difficulty in accessing funds; regulatory issues from numerous regulatory agencies; poor port administration and unavailability of raw materials; policy somersaults, among others (Adekoya, 2021).

These challenges are making it difficult for Nigerian manufacturing companies to compete effectively with its counterpart in advanced economies who are upgraded to the use of cutting-edge technologies, and application of sophisticated technologies and innovations that that will enhance speed productions (Tarurhor & Osazevbaru, 2019). According to Afolabi and Iaseinde (2019), inadequate infrastructures, lead to high cost of production and other operating expenses, which affect profits margin in the manufacturing companies in Nigeria. Inadequate profit maximization, arising from high operational cost, illiquidity constrains, considering the instability and volatility of foreign exchange rate (Olasunkanni & Asaolu, 2019); High cost of manufacturing machines and other import

dependent production materials (Afolabi & Laseinde 2019); inadequate cash management that will allow manager take transactional advantages.

Recently, there have been studies that evidenced deepening and decline in the performance of manufacturing companies in Nigeria, consequent to insecurities challenges of Boko Haram menace, and kidnapping leading to unfortunate stagnations of these companies (Afolabi & Laseinde, 2019). These inefficiencies ultimately affect earnings and returns to the equity shareholders. Evidently, the rewards system to the shareholders in the Nigerian manufacturing companies had been inconsistent, poor and unstable due to poor state of the companies. (Idisi *et al.,* 2018).

Inability to optimally utilize the productive resources, low-capacity usage of the installed machines and usage of dilapidated machines are negatively affecting the manufacturing companies in Nigeria (Danjuma, Umeh & Hammawa, 2015). Beyond these problems and difficulties facing the manufacturing companies in Nigeria, Umo and Ife (2017) observed that, cash has become one of the biggest problems for many businesses today. Lack of it has driven numerous businesses into bankruptcy. The continuous existence of a firm depends on the ability of its management to manage the firm's cash position. In managing cash, various options are open to finance managers (Bari *et al.,* 2019; Oladejo *et al.*, 2017).

Without maintaining adequate cash and cash substitute's level within the firm, managers cannot predict their future. If the firm is not able to earn profit, it is considered as sick. However, if the firm faces illiquidity, it is downfallen and then died. Hence the likes of Footwear and Accessories Manufacturing and Distribution Plc, Oluwa Glass, Plc Erisco Foods Limited are no more today. As matter of fact, liquidity is the pre-requisite for determining the survival of the company (Niresh, 2012). Though, profitability provides the justification and the rational for remaining in business, investors do not only use profit as a basis for assessing performance of the management, though they expect to share at least part of the profit being a reward for their sacrifice and risk they assumed. (Agbaja & Afolabi 2016; Bari *et al.*, 2019; Enyi 2018; Okpe & Duru 2016; Oladejo *et al.,* 2017).

Extant Literature
Earnings per Share

The study of Mappanyuki and Sari (2017) defined earnings per share as one of the financial ratios that are concerned with returns assessment. In other words, earnings per share measure the rate of increase of earnings of an organization from year to year. It measures and assesses the growth rate of shareholders returns on shares held in an organization by respective shareholders who are not involved in the running of the day to operational activities. Mappanyuki and Sari (2017) further submitted that shareholders are interested to see non-stagnated earnings per share, hence adjudge the performance of their investment with adequate earnings per share. According to Ezeamama *et al.,* (2014), earnings per share measures the proportion of earnings generated by the corporate organization available to ordinary shareholders ranking for dividend during the accounting period in line with share in issue. It assesses the amount of equity earnings available to equity holders after considering tax and preference dividend attributable to each unit of ordinary share in issue.

Earnings per share are greatly relied upon by the shareholders of companies and other financial analyst who tend to know shareholders stake in a business venture. The study of Iyiama, Nweze and Okechukwu (2017) posited that investors make investments decisions by basing it on the possible return from that investment. One of the parameters to

measure an organization is a consideration of the trend analysis of the earnings per share profile. Every average investor analyses financial statement of their company as a guide to investment decision or for investment diversifications. The nature and state of earnings per share made available to the potential investors will help them form an investment decision whether to invest or not, while existing shareholders will be guided whether to continue to further invest in the same organization of divest their investments. Following the study of Emeni and Okafor (2016), this study proposed and measured EPS using: Profit after tax and preference dividend divided by number share shares ranking for dividend.

Cash Management

Madushanka and Jathurika (2018) defined cash management as a process of collecting, organizing, directing and investing cash in short term financial products. It is a key component of ensuring a business financial stability and solvency (Ezeamama *et al.,* 2014). Although organizations need cash to survive, to hold too much of it is an evidence of bad cash management. Cash is like manure which can help to grow many plants if utilized but rots and then stinks if left unused. It is important, therefore that the use of cash like any other asset should be planned and controlled to ensure an economic, efficient, and effective utilization of all available cash in an organization (Ezeamama *et al.,* 2014; Uwuigbe, Uwalomwa & Egbide 2012).

According to Brealey, Myers and Marcus, (2007), cash is a significant ingredient of every organization to strive in business and that it is important to make an effective and efficient investment and well managed to ensure adequate control of organizational cash flows. An effective cash management is one of the things managers must ensure a trade-off between liquidity and corporate profitability (Oladejo *et al.,* 2017). Furthermore, the cash management is the most important among the current assets management of an organization, because cash is significantly a basic factor necessary to operate and maintain corporate organization without running short of liquidity, and also the final output expected from every business operations. Cash is the ultimate desire of business every business sales, whether cash sales or credit sales, since customers will eventually pay cash as a means of settling credit sales (Ong'era, Muturi, Oluoch, Karanja 2017).

Receivables Collection Period (RCP)

Bagh, Nazir, Khan and Atif (2016) defined receivables as the collection of credit sales made to customers who promised to pay a particular point in time. While the receivables' collection period is the time between the credit sales and expected payment date. Receivables are amount that customers owe the company and are expected to pay within a short period of time, possibly within one year from the time of sale to the expected time of payment. A company is expected to maintain a strict age analysis of receivables and ensure payment is made as and when it is expected. A poor receivable's management and inadequate receivables control could result to bad debts and have the propensity to have a negative effect on the overall performance of the company. According to Bhunia and Khan (2011) receivables being a current asset can increase the value of a company, however, when it is not properly maintained, it could have negative impact on the operational activities of the company. However, Aghajani, Mahmoudian and Zabihi (2015) documented that listed companies should maintain the current receivables' collection period or further reduce it in a to   enhance financial performance.

Receivable's collection period requires an effective management by organizations to ensure an optimal level of receivables in the organizations working capital investment. As a

component of working capital and used in this study as one of the proxies to measures cash management. receivables collection period's management has effect on the cash management and liquidity position of a company (Akinyomi 2014). According to the study of Akinyomi (2014), an effective receivable collection period management requires an optimal level of receivables been represented by a balance of two significant drivers: (i), increase in sales and possible profits connected with the company extending the credit sales (ii) Costs of credit sales which ideally include interest and administrative cost in collecting the debts and also in carrying and absorbing the possibilities of bad debts by the company.

Akinyomi (2014) further noted that certain factors are important in maintaining an effective receivables and profitability management of the company. An organizations' management must have a strict and working collection period policy. The policy must be made known to the potential customers before credit sales are extended to them, and the credit worthiness of the customers should be carried out to ensure that they have the capability and the antecedents to pay as when due.

Brealey *et al.,* (2011) noted that when companies have a lower average collection period, then there is need to see if there can be an improvement in the performance of the company, but if the result obtained is too high showing an upward trend, could mean poor management of receivables and might indicate any of the following: (a) a need to change credit policy especially seeking more sales from creditworthy customers. (b) Introducing or withdrawing a cash discount and (c) window dressing- a company may be allowing longer credit but has lower average collection period because sales invoices are dated before the year end. Following the study of Brealey *et al.,* (2011), this study measured receivable collection period as: Accounts Receivable/Net Credit Sales*365

Payable Payment Period (PPP)

This is the average length of time it takes to pay for purchases. Accounts payable is one of the major sources of secured short- term financing (Gitman 2009; Nwarogu & Iormbagad 2017). As a result of this strong alliance between company and its suppliers will strategically improve production lines and strengthen credit record for future expansion. Manyo and Ogakwu (2013) stated that the liquidity of a firm mainly depends, upon accounts receivable collection and payable deferral policy as well as inventories conversion period of firm. Payable payment period management is a vital part of effective cash position planning and purchasing initiates. Unplanned cash outflows and over – zealous purchasing function can create liquidity problems. (Nwarogu & Iormbagad 2017). Payable payment period, when well managed strategically could be delayed while the lag period for the receivables' collection period be shortened. An effort can be geared towards prolonging payables' payable period and reducing receivables' collectible period (Aghajani *et al.,* 2015).

On the contrary, Alshatti (2014) faulted the position of Manyo and Ogakwu (2013), that this is anti-cash management principles, rather while strategic efforts are geared towards making plans to collect receivables as and when due, the company should as well make efforts to liquidate its payables. A good cash management strategic ensures that both trade collectibles from receivables and trade payables from credits should have an equal attention. Delay in fulfilling and settling payables as when due, could result to the company being blacklisted and credit worthiness rating of the company could drop that it becomes near impossible for company to trust the company and be pleased to extend credit or discount opportunities to defaulting companies (Bhunia, Khan & Mukhuti, 2011). Following the study of Bhunia, *at al.,* (2011) this study measured receivable collection period as Accounts Payable/Cost of Sales*365

Inventory Turnover Ratio

Inventory turnover is defined as the number of times the volume of unsold goods is turned and replenish its inventory periodically (Chinyereugo, Nweze, Offor & Ikediashi, 2018). Inventory management is one of the components of working capital of an organization.

In this study, inventory turnover ratio is one of the proxies of cash management in consideration of the importance of inventory and the number of times it takes a company to replenish its inventory. This represent number of times inventories are turn over during the period. In this case, Inventory turnover ratio measures the number of times inventory is sold or consumed in a given period usually one year. It shows the ability of a company in manufacturing and marketing of its product. One of the bases for calculating inventory turnover is preferable because costs are related to costs. According to Chowdhury *et al.,* (2018), inventory in manufacturing companies could include raw materials, work-in-progress, and finished goods. These inventories could jointly or individually affect the company cash management.

Following previous studies by –Chowdhury *et al.,* (2018) and Abdulazeez, Baba, Fatima, and Abdulrahaman (2018), this study measured inventory turnover ratio as: ITR = Cost of sales/Average Inventory

Quick Ratio

Dhar and Aziza (2018) defined **q**uick ratio as ability of companies to measure a business and to settle its short- term obligations as and when they fall due in relation to its liquid or quick assets status. Quick ratio is significant to the cash management ability of an organization. According to Dhar and Aziza (2018), quick ratio reflects the extent to which cash and other assets most readily convertible assets are readily available to be converted to cash to meet the demand of short- term payables. Quick ratio is important since it considers the extent to which current liabilities can be covered by immediate realizable assets. Following the study of Dhar and Aziza (2018), this study measured quick ratio as: Current assets minus inventory divided by current liabilities.

Underpinning Theory
Resource Based Theory

This study is anchored on the Resource-based theory. Resource based theory was postulated by Edith Penrose (1959) and further popularised by Wernerfelt in 1984. Its focus is on what a company has at its disposition (resources) to translate into either its strength or weakness. Penrose opined that resources possessed, deployed, and utilized by the organisation are more important than industry structure. The earnings per share of a corporate entity and its profitability is based on resources, whether human or material resources. Resources are a vital unit used in production or rendering of services. If resources would be productive there has to be an effective management of the resources. Hence the relevance of resource -based theory cannot be ignored in cash management strategies, as cash is a vital resource that firms used in generating wealth for stakeholders. Cash management is at the center of resource management (Aminu & Zauindin 2015).

According to Kozlenkova, Samaha and Palmatier (2014), Capabilities as stated in the theory, is defined by available resources that are individual-specific. In this regard managers should manage resources in such way that ensures prospective opportunities are recognized, that the resources are effectively assembled, payments made are timely and receivables are management effectively will ultimately contribute to the earnings per share

(Kozlenkova, Samaha & Palmatier 2014).Therefore, any company manager companies must use the entity's uniqueness as an edge above the competitors as well as ability efficient management of responses, payable management, timely collection of receivable with a view to the earnings per share of the organisation (Aminu & Zauindin, 2015).

The resource-based theory finds applicability in this study since the earnings per share of a business entity is centered on the ability of managers to effectively utilise available human capital and financial resources to create value that gives expected returns to stakeholders. Resource management creates value which will ultimately lead to profitability becomes paramount. Cash being one of the vital resources of the organisation required to create wealth for stakeholder makes resource-based theory paramount for this study.

Empirical Review

Dhar and Aziza (2018) performed an empirical Analysis on the effect of working capital management earnings per share of cement industries in Bangladesh. The study used the cash conversion cycle as the independent variable and earning per share as the dependent variable. Secondary data were collected from the annual report of cement companies listed on Dhaka Stock exchange were used. The empirical evidence shows that there is an insignificant negative impact of cash conversion cycle on earnings per share of the cement companies. On the contrary, the result of Dhar *at al* is inconsistent with Enekwe *et al.,* (2013). Furthermore, it is consistent with Aghajani *et al.,* (2015), who carried out a study in the Tehran stock exchange on the effect of cash conversion cycle on the profitability of automotive and cement manufacturing companies. The study found a significant inverse relationship between the cash conversion cycle and profitability (measured by EPS) using secondary data from the company's annual report.

Similarly, Bagh, Nasir, Khan, Atif & Raziz (2016) in their study of working capital management on Sales growth (SG) and firm financial performance in Pakistan. The study which used 50 listed companies in the Karachi Stock Exchange (KSE) used cash management components of cash conversion cycle, inventory turnover ratio, account receivable period, Account payable period as the independent variables, while return on Asset (ROA), return on equity (ROE) and earnings per share (EPS) were used as the dependent variables. The result of the study showed that cash management variables have a negative and significant impact on both return on Asset and Earnings per share.

Madugba and Ogbonnaya (2016) investigated working capital management and financial performance for manufacturing firms where they used earnings per share as the measure of firm performance and the components of cash managements average collection period (ACP) and average payment period (APP) as measures of WCM. The authors found that both average collection period and average payment period had a significant impact on earnings per share (EPS). The study concluded that average payment period has a significantly positive impact on EPS while average collection period has a significantly negative impact. Madugba and Ogbonnaya (2016) result is similar with the result obtained by Pui-Yan and Wei-Theng (2019) who carried out an investigation on the effect of key components of working capital management on investment performance in Malaysia. The study result revealed that working capital components of receivables collection period, inventory conversion cycle, payables collection period, overall cash conversion cycle, current ratio, quick ratio and cash ratio exhibited a positive significant effect on Tobin's Q, book return on assets and earnings per share (EPS).

In another study in Nigeria, Samuel and Abdulateef (2016) studied the relationship between cash conversion cycle and earning per share. The sample comprised of 10 firms and used panel data over a ten-year period from 2004 to 2013. The study revealed that cash conversion cycle (CCC) of the sampled firms during the study period has an insignificant negative impact on EPS. This result is like the result obtained in the study of Madugba and Ogbonnaya (2016) who equally found that both average collection period and average payment period had a significant impact on earnings per share (EPS). Also, that average payment period has a significantly positive impact on EPS while average collection period has a significantly negative impact. Timothy and Alex (2016) examined the effects of cash management on earnings per share and firm financial performance of small enterprises in Nakuru County. Using simple regression analysis, the study found out that cash management had a positive significant effect on EPS and firm financial performance (FFP) of some selected and sampled companies in Nakuru County. Also it found was a positive association between credit payment period and firm financial performance of the small enterprise in selected companies used for the study. This result is inconsistent with the result obtained by Bagh *et al.,* (2016).

Cyprian, Jomo and Tobias (2014) examined the effects of cash management on the earnings performance of some selected companies listed on the floor of the Nairobi Securities Exchange. Secondary data was employed, sourced from the financial statements of the selected companies. The study measured cash management using receivables collection period and payables' payment period, while performance was measured using profitability and return on assets. The study found that each of payables' payments period and receivable collection period had a positive significant effect on (EPS), however, payables payment period and receivable collection period had a weak but positive significant effect on Profitability (GPM). The result obtained by Cyprian *et al.,* (2014) is consistent with the result of Timothy and Alex (2016). The result did not differ from Timothy *et al.* (2016) result, Cyprian *et al* (2014) result revealed a positive significant relationship between payables' payment period and financial performance.

Methodology and Data Analysis

The study explored *ex-post facto* research design using secondary data. The population consisted of 20 consumer goods manufacturing companies listed on the Nigerian Stock Exchange as at 31st December 2019. Ten consumer goods manufacturing companies were selected using random sampling technique. Data were extracted from published financial statements of the sampled companies for the period of coverage 2010 to 2019. The validity and reliability of the data were premised on the scrutiny and certification by the external auditors. Descriptive statistics and inferential statistics were used for the data analysis. The Study proposed the below tested hypothesis.

H₀: Cash Management has no significant effect on the earning per share (EPS) of consumer goods manufacturing companies listed in Nigeria.

Model Specification

The study adopted the following regression models which examined cash management and survival with the aim of attending to various research questions put forward by the study.

$$Y_i = \beta_0 + \beta_1 X_i + \varepsilon_i \tag{3.1}$$

Where

Y= Dependent Variable: Earning Per Share (EPS)
X = Independent Variable: Cash Management (CM)
β_0 = regression intercept which is constant

While

β_1, β_2, β_3, β_4, β_5 = the coefficient of the explanatory variables
μ is the error term of the model
i = cross-sectional variable

Functional Relationship
EPS= f(PPP, RCP, QR, ITR)   ………………….......Function

Models

$$EPS = \alpha_0 + \alpha_1 PPP_{it} + \alpha_2 RCP_{it} + \alpha_3 QR_{it} + \alpha_4 ITR_{it} + \epsilon_{it}$$………….. Equation

Where

i' stands for the individual firms, t' denotes time (years in this work) while ϵit is the error term or residuals.

The models were estimated using pooled, fixed effects and random effects estimators. A pooled estimator assumes that the intercepts (α's) and the residuals are constant across and time. With this assumption, the models were estimated using the ordinary Least Square (OLS).
When fixed effects were assumed, then the error become: $\epsilon it = \mu i + \upsilon it$

Where:

μi was the unobserved individual- specific effects which did not vary with time and υit is the remaining error term. When a random effect estimator was employed, μi now became random.
$\upsilon i + \mu it$

Where

υi was individual effects which was fixed through time but varied across firms and μit is the error term.

Data Analysis, Result and Discussion
Descriptive Statistics
Summary of Statistics: Dependent and Independent Indicators
Table 4.1: Summary Statistics of Dependent and Independent Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Dependent Variable					
EPS	100	5.515	10.830	-1.340	57.630
Independent Variable					
RCP	100	51.827	31.404	0.151	176.360
PPP	100	137.367	63.236	24.456	280.541
QR	100	0.773	0.529	0.208	2.863

ITR	100	4.804	2.815	0.708	24.018

Source: Author's Computation 2021, underlying data from annual reports of firms listed on NSE
Note: 'EPS' represents Earnings per share, 'RCP' represents Receivable collection periods, 'QR' represents Quick ratio, 'ITR' represents Inventory turnover ratio and 'PPP' represents Payable's payment period.

Dependent Variable

Table 4. Earnings per share (EPS), the mean value for all the companies during the period is N5.52. The minimum value is -N1.34 and the maximum value is N57.63 with a standard deviation of 10.82. The minimum, maximum and standard deviation values indicate that there is a wide range in the value of Earnings per share (EPS) of the company during the period. On the other hand, these mean that some of the companies' Earnings Per Share (EPS) are relatively low while some are high. The average EPS value for all the companies during the period which is N5.52 shows that each share of shareholders' stock earned N5.52 during the period under review.

Independent Variable

The mean value of Receivables collection period (RCP) over the same period of time is 51.827 days while the maximum days for RCP is 176.36 days and the minimum is 0.151day. However, the standard deviation is 31.404 days. These show that the sampled firms have different RCP days. Furthermore, this depicts that customers on average pay their receivables in 0.151 day.

Similarly, Payables payment period (PPP) has a minimum and maximum of 24.456 and 280.541 days respectively. The average period for creditor's payment for the data sampled is 137.367 days with a standard deviation of 63.236. This simply means that it takes companies 137.367 day, on average to settle their debts.

Also, Quick Ratio (QR) has a minimum and maximum value of 0.208 and 2.863 respectively. The average value for QR stood at 0.772 and reveals a standard deviation of 0.529. This shows that Quick Ratio deviates across all firms. The average value of 0.772 indicates that the companies may not possess enough liquid assets to be promptly pay off their current liabilities when necessary because the computed value is less than 1.

Lastly, Inventory turnover period (ITR) shows a mean value of 4.804 and standard deviation of 2.815. The minimum and maximum value for inventory turnover period (ITR) stood at 0.708 and 24.018 respectively. The average value of 4.804 indicates that the companies are effective at managing inventory levels and generating sales from their inventory.

Correlation Matrix

This section presents the correlation between the dependent and independent variables using correlation tests. This is important in order to check the level of associations among the variables and spot multicollinearity. The correlation also shows the direction and strength of the relationship between two variables.

Table 4: Correlation Matrix of Variables

	EPS
EPS	1
RCP	-0.057
PPP	-0.019
QR	0.067

ITR	0.157

Source: Author's Computation 2021, underlying data from annual reports of firms listed on NSE.

Note: 'EPS' represents Earnings per share, 'RCP' represents Receivable collection period, 'QR' represents Quick ratio, 'ITR' represents Inventory turnover ratio and 'PPP' represents Payable's payment period.

Table 4 EPS has positive relationship with quick Ratio and Inventory Turnover Ratio with a correlation coeficients of correl. coeff = 0.067, correl. coeff = 0.157 respectively, and a negative relationship with RCP and PPP with a correlation coeficientss. Correl. coeff = -0.057, correl. coeff = -0.019   therefore, there is no multicollinearity.

Empirical Result and Test of Hypothesis

To establish the objective, the estimated regression result using payables payment period (PPP), receivables collection period (RCP), quick ratio and inventory turnover ratio as independent variables and earnings per share as the dependent variable has been presented in his sub-section. The model has been estimated using the random effect model. To determine the most appropriate method among fixed effect, random effect, and pooled OLS for estimating the regression the model, Hausman test was carried out and based on the result of the test, as shown in Table 4 below, the random effect was the most appropriate estimator. Breusch-Pagan Lagrangian Multiplier (LM) test was carried out as a confirmatory test on the result of the Hausman test. The Breusch-Pagan Lagrangian Multiplier (LM) test also favoured the use of the random effect model.

Table 4 presents the regression result on the effect of Cash management on Earnings per Share (EPS). To determine the most appropriate method among fixed effect, random effect, and pooled OLS for estimating the regression the model, Hausman test was carried out and based on the result of the test, as shown in Table 4.5 below, the random effect was the most appropriate estimator. Breusch-Pagan Lagrangian Multiplier (LM) test was carried out as a confirmatory test on the result of the Hausman test. The Breusch-Pagan Lagrangian Multiplier (LM) test also favoured the use of the random effect model.

Table 4 Hausman And Breusch Pagan (LM) Test-Cash Management And Earnings Per Share

Breusch Pagan Lagragian Multiplier Test	393.030	[0.0000]
Hausman Test	0.580	[0.9650]

The Hausman test gave a p-value of 0.965, which is greater than the 5% level of significance chosen for the study. According to its null hypothesis that there is the presence of unsystematic difference in the model coefficients; thus, the study does not reject its null hypothesis. Thus, it indicates that random effect is most appropriate estimator. The Breusch-Pagan Lagrangian Multiplier (LM) test was conducted as a confirmatory test on the authenticity of Hausman result, and the Breusch-Pagan Lagrangian Multiplier (LM) test reveals a probability value of 0.0000 which is less than the 5 per cent level of significance. The Breusch-Pagan Lagrangian Multiplier (LM) test is in support of the Hausman test, thus, favoured random effect model as the most appropriate estimator among fixed effect, random effect and Pooled OLS.

The F-statistic? Wald-Chi2 value of the random effect model 35.88 which is significant and shows that the explanatory variables are jointly and statistically significant in explaining variations in EPS. This means that cash management is a determinant of EPS.

Also, the R-squared value of 0.025 shows that the explanatory variables jointly explain about 2.5% of change in Earnings per Share (EPS). Additionally, the significant value of heteroskedasticity, Pesaran's test of cross -sectional independence and Serial correlation test results are indications that the chosen model is not free from heteroskedasticity, cross sectional independence and Serial correlation problems. Accordingly, the result presented is random effect regression with Driscoll-Kraay standard errors which is robust to heteroskedasticity, cross sectional independence and Serial correlation problems.

Table 5: Regression of Cash Management Earning Per Share (EPS)

VARIABLES	(1) POOLED	(2) FIXED	(3) RANDOM
RCP	-0.0349	0.0142	0.0126**
	(0.0451)	(0.0264)	(0.0198)
PPP	0.0037	-0.0118	-0.0110**
	(0.0212)	(0.0148)	(0.0152)
QR	1.4832	-1.9473	-1.8494***
	(2.4057)	(1.2695)	(0.5279)
ITR	0.5539	0.0511	0.0681
	(0.4041)	(0.2259)	(0.1294)
Constant	3.0117	7.6553***	7.4735**
	(3.3975)	(2.2181)	(2.5645)
R-squared	*0.0328*	*0.0276*	*0.0253*
Adj. R²	*0.018*	*0.0135*	*0.0121*
F-test	*0.805*	*0.610*	
Prob > F	*0.525*	*0.657*	
Wald-chi2			*35.88*
Prob > chi2			*0.000*
LM Test		*293.030*	
	[0.000]		
Serial correlation		*273.379*	
	[0.000]		
Hausman		*0.580 [0.965]*	
Heterosc'd		*39881.03*	
	[0.000]		
C.D Test		*3.341 [0.001]*	

Source: Author's Computation, underlying data from annual reports of firms listed on NSE
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1.

Note: 'EPS' represents Earnings per share, 'SG' represents Sales Growth, 'NPR 'represents Net profit ratio, 'ROA' represents Return on asset, 'RCP' represents Receivable collection periods, 'QR' represents Quick ratio, 'ITR' represents Inventory turnover ratio and 'PPP' represents Payable's payment period.

$EPS = \alpha_0 + \alpha_1 RCP_{it} + \alpha_2 PPP_{it} + \alpha_3 QR_{it} + \alpha_4 ITR_{it} + \epsilon_{it}$............. *Equation*

$EPS = 7.4735 + 0.0126RCP_{it} - 0.0110PPP_{it} - 1.8494QR_{it} + 0.0681ITR_{it} + \epsilon_{it}...$ *Equation*

In the model the coefficients of payables payment period and quick ratio were negatively signed and were all not in consonant with the study expectation (β_2= -0.110; β_2 = -1.8494) < 0 respectively. However, each of the coefficients of receivable collection period and inventory turnover revealed were positively signed and in consonant with the expectation of the study (β_1= 0.0126; β_4 = 0.0681) > 0 respectively.

Furthermore, In the Model (*EPS = 7.4735 + 0.0126RCP$_{it}$ - 0.0110PPP$_{it}$ − 1.8494QR$_{it}$ + 0.0681ITR$_{it}$ +ϵ_{it}*), receivable collection period (RCP) positively affects Earning per Share of consumer goods manufacturing companies in Nigeria. The study revealed that probability of the t-statistics (P-value of 0.0198) which is less than 5% level of the chosen level of significant of 5%, implies that RCP significantly affect Earnings Per share (EPS). The coefficient of RCP (0.0126) means that a day change in RCP would yield 0.0126 unit increases in Earning per Share (EPS) of consumer goods manufacturing companies listed in Nigeria.

Also, the study revealed that in payables payable period (PPP) negatively affects Earnings per share of consumer goods manufacturing companies in Nigeria. The study revealed that probability of the t-statistics (P-value of 0.0152) which is less than 5% level of the chosen level of significant of 5%, implies that PPP significantly affect Earnings per share (EPS). The coefficient of PPP (-0.0110) means that a unit increase in PPP would yield 0.0110 unit decrease in Earnings Per Share (EPS) of consumer goods manufacturing companies listed in Nigeria.

More so, Quick ratio (QR) negatively affects Earnings per share of consumer goods manufacturing companies in Nigeria. The study revealed that probability of the t-statistics (P-value of 0.5279) which is higher than 5% level of the chosen level of significant of 5%, implies that QR do not significantly affect Earning per share (EPS). The coefficient of QR (-1.8494) means that a unit change in QR would yield 1.8494 unit decrease in Earning Per Share (EPS) of consumer goods manufacturing companies listed in Nigeria.

The study equally revealed that inventory turnover ratio (ITR) positively affects Earning per Share of consumer goods manufacturing companies in Nigeria. The study revealed that probability of the t-statistics (P-value of 0.1294) which is higher than 5% level of the chosen level of significant of 5%, implies that ITR do not significantly affect Earning per share (EPS). The coefficient of ITR (0.0681) means that a unit increase in ITR would yield 0.0681 unit increase in Earnings per share (EPS) of consumer goods manufacturing companies listed in Nigeria.

Furthermore, the result presented for the random model in Table, reveals that receivable collection period (RCP) has a positive relationship with Earnings per Share (EPS) with a coefficient value of 0.0126. This relationship is insignificant at 5% with p-value > 0.05. This implies that as the number of days in receivables collection period (RCP) has no effect on EPS. Also, Payable's payment period (PPP) has no significant relationship on EPS. Although, the relationship that exist between the two variables is negative with a coefficient value of -0.0110. On the other hand, Quick Ratio (QR) shows a negative and significant relationship with Earnings per Share (EPS) with a coefficient value of -1.8494 and a p-value < 0.01, which shows a level of significance at 1%. This means that a unit increase in Quick Ratio (QR) will lead to 1.8494 units increase in EPS. Lastly, Inventory Turnover Ratio (ITR) shows a negative and insignificant relationship with Earnings per Share (EPS).

***Decision*:**

In summary, at a level significance of 0.05, the F-Statistic is 35.88, while the P-value of the F-Statistics is 0.000, which is less than 0.05. Based on this premise, the study rejected the null hypothesis and accepted the alternative, which implies that Cash Management had positive significant effect on Earnings per Share (EPS) of consumer goods manufacturing companies listed in Nigeria.

Conclusion and Recommendation
Conclusion

This study investigated the effect of cash management on the earnings per share of consumer goods manufacturing companies, precisely the study also established the effects of the explanatory variables of receivables collection period had a negative significant effect, payables payment period on earnings per share.

The results obtained with the F-Statistic is 35.88, while the P-value of the F-Statistics is 0.000 indicated that all the cash management proxies were jointly significant in affecting earnings per share of consumer goods manufacturing companies listed in Nigeria. Individually, while some variables exhibited positive significant effect, others revealed negative effects on Earnings per share of consumer goods manufacturing companies.

Consequently, in conclusion, resulting from the findings, the study concluded by affirming that cash management positively affected Earnings per share of consumer goods manufacturing companies in Nigeria during the period of the study.

Recommendations

Based on the findings and conclusion of this study, the following recommendations are made believing that they would be beneficial to the management and staff at all levels, investors, market analysts, and policy makers, therefore this study recommended as follows:

1) The management and staff of consumer goods manufacturing companies should pay particular attention and review their credit sales and age analysis policies, this is because the result revealed protracted debts collection period and receivables collection period negatively affecting sales growth and ultimately earnings per share.

2) The managers should consider the components of cost of sales and find ways of improving volume of sales;

3) The management should embark on a comprehensive overhaul of the cash management system, discounting allowable and discount receivable from credit sales and credit purchases should be reviewed;

4) The management should increase investment on current assets and ensure adequate liquidity to handle short time financial obligations. The companies should maximize cash and possibly consider fixing surplus cash to avoid idle funds.

5) The management should review the inventories and ensure the implication of overstock raw materials and the non-moving finished goods are assessed and managed. The marketer and sales managers should be up and doing in their assigned functions.

6) The government and policymakers should consider the plight of manufacturing companies and ensure political and economic stability to allow the manufacturing companies room to operate.

7)   The government should review some import and exercise duties placed on some essential raw materials that cannot be sourced from the local markets and other variables that constitute cost of productions;

8)   The government should consider the significant roles the manufacturing companies play in the development and economic growth in Nigeria, employment opportunities and some social responsibilities like provision of healthcare centers for the host communities, cottage industries, portable water and scholarships for the people. Therefore, the government should put in place some essential infrastructures that will enhance their earnings and by extension, the earnings per share of the companies.

9)   The government should lessen inventory damages and spoilage rate by providing adequate power and regular supply of electricity that will aid in preserving and safe keeping of the raw material and finished goods.

10)   The investors are advised to be mindful of credit policies and cash management policies of their investee companies. Trend analysis report and performance profile of these manufacturing companies in terms of profitability, sales and assets growth profile the companies in Nigeria over the years are important as a guide to investment or divestment decisions. These annual reports should enable investors to ascertain the companies' corporate sustainability, going concern status, financial and non-financial reporting responsibilities. Investors should know when to inject in more capital, time to embark on portfolio diversification decisions or outright divestments, using this kind of empirical report.

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