A COMPARATIVE STUDY OF FINANCIAL MANAGEMENT PRACTICES ON THE PERFORMANCE OF QUOTED MANUFACTURING AND OIL AND GAS FIRMS IN NIGERIA

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Abstract
This study carried out a comparative study on influence of the financial management practices on the performance of the quoted manufacturing and oil and gas firms in Nigeria. The study specifically assessed the financial management practices and return on equity of the manufacturing firms to determine whether they are significantly different from those of oil and gas firms. The ex post facto research design was used. Data were obtained from the annual reports and accounts of the sampled firms of both sectors for the period 2006-2020. A purposive simple random sampling was adopted to select sample from 52 manufacturing firms and 11 oil and gas firms. Descriptive statistics and multiple regression model were used to analyze the data. The findings showed that strategic financial management practices jointly had significant effect on return on equity of listed manufacturing (Adj. $R^2 = 0.0046$, $\chi^2(5) = 64.07$, $p < 0.05$) and oil and gas firms (Adj. $R^2 = 0.555$, $F(5,114) = 30.78$, $p < 0.05$). The regression results revealed that debt finance has a positive and insignificant relationship with return on equity of both sectors. Investing activities, dividend payout, working capital, and total asset turnover had negative effect on return on equity of the manufacturing firms but positive effect in oil and gas firms in Nigeria. The study recommended that the investors should consider appropriate variables that help them determine choice of a sector for investment purpose before they commit their hard earned resources.

Keywords: Comparative study, Debt finance, Financial management practices, Investing activities, Manufacturing, Oil and gas, Performance

1.0. Introduction
Firm performance is the criterion through which a company is adjudged by an investor to commit his hard earned resources. Several companies as a result of dismal performance reflected in their losses, return on asset, return on equity, earnings per share, Tobin’s Q, market price per share, return on sales, and other performance measures had closed down (Adesola,
Ewa, & Edem, 2020). This collapse of companies was common among manufacturing companies unlike oil and gas firms on Nigerian Exchange Group (NGX). It is noteworthy that manufacturing sectors in developing economies such as Mexico, Taiwan, Turkey, Brazil, and India have contributed on average about 15-35 percent to GDP and 30-45 percent to job creation (Modgil & Sharma, 2017). Nigeria’s manufacturing sector recorded real GDP growth of 3.49% (year on year in the second quarter of 2021 compared to a decline of 8.78% recorded in the corresponding period of 2020. It was also 0.09% higher than the preceding first-quarter figure of 2021 (3.40%). This is contained in the report released by the National Bureau of Statistics (NBS, 2021). On a half-year basis, the growth rate of the sector stood at 3.44% compared to negative 4.07% recorded for the half-year 2020. Real sector contribution to GDP in Q2 2021 was 8.69% lower than the 8.82% recorded in the second quarter of 2020 and the 9.93% recorded in the first quarter of 2021. The oil sector contributed about 5.9% to the total real GDP between October and December 2020, a decrease of about 3 percent points compared to the previous quarter. The sector achieved a 7.42 percent contribution to the GDP in the second quarter of 2021 (NBS, 2021). The data from OPEC revealed that Africa’s largest oil-producing country’s oil sector contributes the lowest to its GDP among other members of the OPEC. This sector has accounted for 85% of the nation's revenue for more than half a century. Nigeria’s oil sector accounts for about nine percent of the country’s gross domestic product (GDP). The oil sector contributed about 5.9% to the total real GDP between October and December 2020, a decrease of about 3 percent points compared to the previous quarter.

Financial management practice is that platform in management that provides information for strategic planning, formations, control, and monitoring to achieve long-term objectives, it provides signals so as not to stifle the business life (Ongosi & Otinga, 2020). Financial management practice provides the platform for an organization to fund its activities to achieve the long-term objective of maximization of shareholders’ wealth while maintaining corporate social responsibility. Chung and Chuang (2011) divided Financial Management practices into five categories: capital budgeting, accounting information system, capital structure management, financial reporting and analysis, and working capital management. Financial management practices considered for this study are debt finance, investing activities, dividend payout, working capital and the total asset turnover (Ali & Isak, 2019). Sound strategic financial management techniques have been identified in certain studies as essential characteristics that influence and define the level of performance a firm will attain (Eboiyehi & Ikpesu, 2017; Muigai & Muriithi, 2017). The collapse of manufacturing companies was not limited to Nigeria. The collapse was related to performance of the affected global companies such as Enron, WorldCom, AIG, and change of name by Lever Brothers. Manipulation of accounting information was largely responsible for the collapse of these giant companies which called for the institution of Sarbanes Oxley in 2002 to sanitize corporate governance in corporate organizations. In 2002, Enron, a major player in energy business went under as a result of market price share manipulation. AIG was investigated in 2005 for poor corporate governance and accounting fraud issues. In 2009, there
was a massive sack of CEOs in Nigerian banks due to share price manipulation, misrepresentation of financial figures, and non-adherence to Nigerian corporate governance codes. This called for the review of Nigerian Code of Corporate Governance (NCCG) in 2018. The stock market as the health check for the economy was characterized by some unhealthy issues from market participants which include accounting scandals, stock market crash in 2008, and free fall in stock prices in capital market. If the performance of the companies in the stock market is devoid of issues raised above and the investors are able to understand financial information that determines performance accurately, they will be able to invest in appropriate sector that will provide better return for their investment fund. It is essential for existing and potential investors to understand the performance criteria of each sector on the Nigerian Exchange Group (NXG) subject to available financial management practices to help them in decision making.

The objective of the study is to compare the effect of financial management practices on the return on equity of quoted manufacturing and oil and gas firms in Nigeria. The null hypothesis was tested in line with the objective. The objective also formed the basis for the research question. The study is expected to contribute to the extant literature in the capital market research area in Nigeria. There are previous studies on financial management practices and performance of quoted manufacturing and oil and gas firms in Nigeria and other countries which include Ali and Isak (2019) which investigated the financial management practices and financial performance of service companies in Somalia; Butt, Hunjra, and Rehman (2010) examined the financial management practices and their impact on organizational performance in Pakistan; Selvanayaki, Sivakumar, Rohini and Mani (2016) investigated financial management practices and profitability of modern rice milling firms in Kangayam Cluster, Tamil Nadu, India; Deresa (2016) examined the impact of financial management practices on success of small business enterprises: The case of Woliso Town, Oromiro, Ethiopia; Ongosi and Otinga (2020) examined the financial management practices and financial performance of micro finance institutions in Nairobi County, Kenya; Nthenge and Ringera (2017) investigated the effect of financial management practices on financial performance of small and medium enterprises in Kiambu Town, Kenya. Few studies exist on comparative studies on both sectors in Nigeria and USA which include Adesola, Ewa, and Edem (2020) examined the comparative study of value relevance of financial information in the oil and gas and manufacturing sectors in Nigeria; Raymond, Nwakoby, and Okoye (2016) investigated the comparative analysis of the investment decision of selected manufacturing firms and commercial banks in Nigeria; Asaolu (2021) investigated the capital structure and firm performance: A comparative study of oil and gas and manufacturing sectors in the United States of America. This study aims to fill the gap in literature in this area. This study seeks to expand the scope of literature by comparing the effect of financial management practices on return on equity of manufacturing and oil and gas firms in Nigeria. The scope of the study spanned for fifteen years (2006 – 2020). The following hypothesis was tested in a null form:
H0: Financial management practices do not have significant effect on return on equity of manufacturing and oil and gas firms in Nigeria

1.0 Review of related literature
2.1 Conceptual Review
2.1.1 Performance

Performance is essential in management as it allows organization to navigate its way properly in arriving at a safe destination (Agbaje & Dare, 2018). Efficiency ratios are used to assess a firm’s ability to manage its assets and liabilities very well (Brealey, Myers, & Allen, 2016). Performance measurement refers to the process of determining the efficiency and effectiveness of an event (Rashid, 2018). Taouab and Issor (2019) defined performance as the level at which an organization as a whole achieves its objectives. Bratianu and Benjinaru (2019) tagged the organizational performance as a concept of organization’s success or effectiveness and a sign of how well the organization is being run to achieve its objectives. The performance of an organization is also dictated by the environment where it operates (Contu, 2020).

Performance measurement can be in two ways: accounting-based or market-based. Accounting-based measurements have a short-term financial performance impact on management, and their values are dependent on historical data, so they cannot be completely relied on to make future business decisions (Klapper & Love, 2002). Another disadvantage of using proxies is that they are subject to professional accounting norms, rules, and standards. In contrast, operating cash flow is one of the accounting-based proxies that is least influenced by accounting procedures (Ahmed & Javid, 2009). The market-based metrics that are frequently used to assess a company's financial performance are Tobin's Q, market to book value, earning per share, and price-earnings. These market-based metrics reflect shareholders' prospects for the company's future performance (Omran & Pointon, 2004).

2.1.2 Return on equity

Return on equity is the ratio of net income after taxes to total equity capital (Khrawish, 2011 cited in Olaoye, et al, 2019). At the end of every accounting year, profits are declared from the activities carried out by a company, this residual belongs to ordinary shareholders. It denotes the rate of return on shareholder funds invested after deducting payments to all other capital suppliers in the organization (Ajibola, Wisdom & Qudus 2018). ROE shows effective utilization of shareholders’ funds. This points to the shareholders how well their fund is performing compared with other investments held elsewhere. The return can also encourage potential investors to invest in the company.

A dividend is paid from the company's declared profit; the company may decide to pay all or portion of the profit as a dividend to shareholders, subject to the company's dividend policy. A high return on equity ratio reflects a company's willingness to accept strong investment opportunities and efficient management expenses (Ejike & Nweze, 2019). The return on equity is used to determine the success of the owner's investment. The shareholders' equity is made
up of paid-up share capital, share premium, reserves, and surplus, less accumulated losses. The shareholders' equity is made up of paid-up share capital, share premium, reserves, and surplus, less accumulated losses. Net worth can be calculated by subtracting total liabilities from total assets.

Return on Equity = Net income / Net worth (Equity)

Return on equity is a performance component driven by the management accounting information element in Kenyan-quoted manufacturing enterprises, according to Ejike and Nweze (2019). The use of management accounting principles in industrial enterprises in Nigeria enhanced return on equity, according to their findings: Ejike and Nweze (2019); Abdioglu (2019); Samuel and Abdulateef (2016); Ajibola et al., (2018); Nwarogu and Iormbagah, (2017); Mordedzi (2016); Kimunduu, Mwangi, Kaijage, and Ochieng (2017); Enekwe, Nweze, and Agu (2015); Bingilar and Kpolode (2021); Umar and Saidu (2016).

2.2 Financial management practices

Financial management, according to Liu (2010), is defined as financial management methods that use the capital acquired and manage it in the most efficient way for the organization, as well as make the best judgments on reinvestment and profit distribution. Strategic financial management practice is divided into five areas namely investment activities, liquidity, financing, dividend policy, and profitability. Financial management includes the identification of potential strategies capable of maximizing an entity's net present value, the allocation of scarce capital resources among competing opportunities, and the implementation and monitoring of the chosen strategy to achieve stated objectives (CIMA Official Terminology, 2005). The acquisition of funds and their appropriate application in business operations are essential components of any organization's strategic financial management practices (Akintoye, 2016). Goal-setting, patterns, and alternatives are all part of financial management, which aims to improve financial management to meet the company's long-term goals (Salazar, Soto & Mosqueda, 2012).

2.2.1 Debt finance

Debt finance is a way of procuring external finance from firms and investors via bonds, banks, or other financial outlets to finance the company's activities (Kraemer-Eis & Lang, 2017; Ikpesu & Eboiyehi, 2018). Companies seek external fund to help their firm to attain their intended objectives due to insufficient funds to execute their projects. Either equity or debt is used to fund a business. The term "equity" refers to money created by the owners (shareholders of the company). The debt component refers to funds contributed by outside parties and how the company's overall operations and possible expansion ambitions are financed (Muigai & Muriithi, 2017). The shareholder anticipates that the company will generate profit from which a dividend will be paid, or that the company will generate capital gain through an exit strategy if its valuation rises (Sudiyatno, Puspitasari, Suwarti & Asyif, 2020). Similarly, a firm incurs debt when it seeks financial help and is forced to pay interest in addition to the principal amount.
(Abdioglu, 2019). This does not affect the stock price of the company. Debt is used to assess risk, so a higher debt level indicates a riskier venture Sudiyatno et al. 2020).

2.2.2 Investing activities
The dynamics of cash flow are captured on the statement of cash flow in three headings; cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities (Zeller & Figlewicz, 1990). The operating activity head includes cash flows related to producing and selling the company’s product or service which starts with payments for merchandise, material and ends with the collection of the proceeds from sales within the reporting period. The investing activity head includes cash flow information from the purchase of operating assets, debt and equity security investments, and their financial investments forming the foundation of operations. The investing activity head includes cash flow information from the issuance and settlement of, or reacquisition of, a firm’s debt and equity securities. The investing activity can be broken down into (i) cash flows from property, plant, and equipment (operating) transactions, and (ii) cash flows from other (non-operating) investing activities. The ratio is computed below:

\[
\text{Operating investing activities} = \frac{\text{net capital investment}}{\text{average total assets}}
\]

\[
\text{Non-operating Investing activities} = \frac{\text{net financial investment}}{\text{Average total assets}}
\]

Expansion of a business requires investment in new products and a new production system within the company. In some situations, a company may acquire existing firms to expand its business. An investment decision is considered as the main cause of financial distress and performance failure of companies (Memba & Nyanumba, 2013).

2.2.3 Dividend policy
The dividend policy of a company determines how much of its earnings are retained (that is, reinvested) and how much is paid out in cash dividends to shareholders (Mordedzi, 2015). It also refers to the process by which management decides whether or not to pay dividends (Mazouni, 2018). Dividend per share and dividend yield is used to assess dividend policy. Dividend is a significant factor that influences financing and investment decisions, particularly when those decisions are influenced by cash flow from operations (Kanakriyah, 2020; Kimunduu, et al. (2017). Before 1968, investors were unconcerned with the returns on their investments in enterprises (Scott, 1912). The introduction of dividends in East India in 1700 resulted in a rise in stock market prices (Frankfurter, Wood, & Wansley, 2003). Dividends can be calculated in two different ways. The company can decide to pay dividends or reinvest the retained earnings for future expansion. (Kanakriyah, 2020).
2.2.4 Working capital management
Working capital is defined as the difference between current assets and current liabilities. This infers that working capital is an essential requirement for any profitable firm. Akintoye (2010) described working capital as the lifeblood of all economic activities in an organization. The aim of working capital management is to ensure that business operations run smoothly to generate enough cash flow to off-set short-term debt and regular operational expenses (Olaoye, 2019). According to Gârleanu and Pedersen (2018), management should seek to reduce the time it takes to collect receivables and inventory while increasing the time it takes to pay suppliers and creditors to achieve efficiency in the firm's operations.

Liquidity is a company's ability to meet its current and long-term liabilities when they become due (Proctor, 2012). According to Drury (2015), businesses should aim for a current ratio of 2 and an acid test/quick ratio of 1. Effective liquidity management, according to Elley (2004), necessitates appropriate scheduling and control of current assets and liabilities to avoid the cash flow risk of not meeting short-term obligations and excessive asset investment. A solid working capital management policy ensures increased profitability, consistent liquidity, and the organization's structural health.

2.2.5 Total asset turnover
Total assets turnover is an overall activity measure, relating the turnover (sales revenue) to the total assets that the company uses to generate the sales showing the efficiency of assets utilization, that is, how well the company’s management is using its total assets to generate sales (Monea, 2019). The total asset turnover ratio is calculated below:

\[
\text{Total Assets Turnover} = \frac{\text{Net sales revenue}}{\text{Average total assets}} \quad \text{(times)}
\]

It should be noted that an average value of total assets should be used when this ratio is being calculated. A higher level is preferable. The ratio can be expressed in days showing the average time to convert assets in sales. This is expressed below:

\[
\text{Total Assets Turnover in days} = \frac{\text{Total Assets}}{\text{Turnover}} \times 365 \quad \text{(days)}
\]

A favorable development concerning the ratios is referred to as acceleration of total assets turnover which means an increase of total asset turnover in times, and a decreased trend of the total asset turnover in days (Monea, 2019). The opposite direction is known as a slowdown of total assets turnover. If there is any challenge with other ratios such as inventory, receivables, working capital, fixed assets, or others, it will reflect in the total asset turnover ratio. The higher the total asset turnover ratio, the better and the more efficient assets are used to generate sales for the company (Imhanzenobe & Adeyemi, 2020).
2.3 Theoretical Framework
Various theories underline this study. These are:

2.3.1 Modigliani and Miller Theory of Capital Structure (Irrelevancy theory)
The theory was proposed in 1958 by Modigliani and Miller. They proposed that a company’s value can be calculated as the discounted free cash flow from its commencement to the present with an associated return rate. Free cash flow is that which exceeds the amount required to finance all projects with positive net present values when discounted at the relevant cost of capital. The theory depicts the relationship a company’s capital asset structure and dividend policy including its market value and cost of capital. Modigliani and Miller also believes in the dividend irrelevance theory which holds that dividends are not essential in determination of a company’s worth because investors do not pay attention to companies’ payout history.

2.3.2 Signaling Theory
The theory was first conceived by Akerlof (1970). Spence (1973) proved it to be a theory. Ross (1977) proposed Signaling theory to hold that managers’ inside information will point information to the market about the choice of capital structure. The theory claims that a well performed organization can distinguish itself in a market through quality information about its good performance achieved during the fiscal year presented to the market. Dividend announcement is a signal to the market what the company represents (Murekefu & Ouma, 2013; Badara, Jinadu, & Opeyemi, 2017). The debt ratio of the company in relation to its profit margin gives some information to the market on how to invest their funds.

2.4 Empirical review
Selvanayaki et al. (2016) investigated the financial management practices and profitability of modern rice milling firms in Kangayam Cluster, Tamil Nadu, in India. The study adopted primary data through personal interviews. A simple random sampling technique was used to select the sample for the study, forty firms were selected. The independent variable is represented by short term planning, long-term planning, accounting practices, and technology while the dependent variable is represented by return on equity (ROE). The results revealed that short-term planning practices, long-term planning practices, and accounting practices with Eigen values of 9.46, 3.33, and 2.65 accounted for 47.31 per cent, 22.56 per cent, and 17.65 per cent respectively of variation in the return on equity (ROE). The three independent variable in total accounted for 87.42 per cent. The short-term planning practices was significantly positive with return on equity which supported the findings of Abanis, Sunday, Burani, and Eliabu (2013). The long term planning practices was significantly positive while accounting practices was insignificantly positive with return on equity. The dummy variable represented by technology was significantly positive with return on equity. This study is in line with Nguyen (2001) which reported a significant positive relationship between short-term planning practices, long-term practices, and financial information system practices and profitability on small and medium enterprises.
Akaji, Nwadiafor, and Agubata (2021) examined the effect of debt financing on firm performance in Nigeria. The ex post facto research design was used as a research design for the study. Ordinary least square (OLS) Regression model was used as the statistical test of parameter estimates. The data were obtained from the Nigerian Exchange Group (NGX) Factbook, annual reports and accounts of sampled companies. The results revealed that debt financing had significant and positive effect on firm performance in Nigeria at 5% significant level. The study concluded that debt financing improved firms’ performance over the years. It was recommended that firms should introduce debt into their financing option to improve performance.

Abubakar (2020) investigated the effect of financial leverage on financial performance of oil and gas companies in Nigeria. The study used ex post facto research design. Data were obtained the annual reports and accounts of seven (7) quoted oil and gas firms and the Nigerian Exchange Group (NGX) daily official lists over the period 2005-2016. Ordinary least square (OLS) regression model was used to test the hypothesis. Financial leverage is proxied by short-term debt ratio (STDR), long-term debt ratio (LTDR), and total debt-equity ratio (TDER) and the financial performance is represented by return on equity (ROE). The result revealed that STDR and LTDR had no significant effect on return on equity but TDER had a negative significant effect on return on equity. The study concluded that return on equity of oil and gas firms in Nigeria is affected by a higher financial leverage in the capital structure. The study recommended that oil and gas firms should substitute at least 90 per cent of debt in the capital structure with equity through bonus issue, right issue, and higher proportion of retained earnings in the capital structure.

Umar and Saidu (2016) assessed the relationship between dividend policy and financial performance of oil and gas firms in Nigeria. The study used ex post facto research design. Data were obtained from the annual reports and accounts of eight sampled oil and gas firms and factsbooks of the Nigerian Exchange Group between 2005 and 2014. Descriptive statistics, Pearson correlation, and multiple regression models were used for the analysis. The result showed that dividend payout had a significant positive effect on the financial performance of oil and gas firms in Nigeria. Also dividend payout squared had a significant negative relationship with the financial performance of oil and gas firms. It was concluded that dividend payout of oil and gas companies had a peak level beyond which the relationship began to be negative. It was recommended that oil and gas firms should pay only a reasonable portion of the distributable profits to have sufficient retained earnings for business expansion.

Hossain, Khan, and Khalid (2019) did an empirical analysis of capital structure and firm’s financial performance in a developing country (Bangladesh). The study used an ex post facto research design. Data were obtained from the annual reports and accounts of sampled IT firms
quoted on Dhaka Stock Exchange during the period 2013-2017. The performance variable is represented by return on asset, return on equity, and earnings per share while the independent variable is represented by capital structure proxied by debt ratio (DR), equity ratio (ER), long-term debt ratio (LTDR), and short-term debt ratio (STDR). Descriptive statistics, correlation, pooled ordinary least square analysis, fixed effect and random effect model were analyzed to test the hypothesis. The results showed that Equity ratio had a significant positive effect on return on asset while debt ratio and short-term debt ratio showed significant negative effect on return on asset. Long-term debt ratio showed an insignificant negative effect on return on asset. For return on equity, equity ratio and long-term debt ratio had insignificant positive relationship while debt ratio and short-term debt ratio had insignificant negative relationship. In another vein, equity ratio and long-term debt ratio had insignificant negative effect on earnings per share while debt ratio and short-term debt ratio had insignificant positive effect on earnings per share. The result also revealed an Adjusted R² of 0.2655 meaning that 26.55 per cent of independent variables caused changes in return on asset while Adjusted R² for return on equity and earnings per share were negative. The study concluded that capital structure had impact on return on asset but it was contrary for return on equity and earnings per share. It was recommended maximization of shareholder’s wealth between equity and debt requirements to have a good combination.

Samuel and Abdulateef (2016), examined the Liquidity Management and Profitability of Listed Food and Beverages Companies in Nigeria. The study used ex post facto research design. Data were obtained from the annual reports and accounts of sampled companies. The findings revealed that the result of the robust OLS regression for fitted values of ROE shows an overall insignificant negative relationship between liquidity management and ROE at an F-value of 0.71 and insignificance level of 0.5467. The F-value from the tables showed a value of 2.17741. Since F (calculated) is less than F (tabulated), the study could not reject the null hypothesis and concluded that liquidity management had an insignificant negative impact on ROE of listed food and beverages companies in Nigeria. The study further revealed an overall significant negative relationship between liquidity management and EPS. The fact that the result showed a positive and significant Wald Chi2 of 44.8, the study rejected the null hypothesis and concluded that liquidity management had a significant negative impact on EPS of listed food and beverages companies in Nigeria. The fact that CCC of listed food and beverages companies in Nigeria had an insignificant negative relationship with ROE as a measure of financial performance and a significant negative relationship with financial performance proxied by EPS; it was a sign of longer CCC. Thus, shortening the CCC of the companies to a justifiable minimum by management can maximize the return to shareholders.

Ongosi and Otinga (2020) investigated financial management practices and financial performance of micro finance institutions in Nairobi County, Kenya. The study used a combination of primary and secondary data. A purposive sampling technique was adopted.
The primary data was obtained through questionnaire. The independent variable was represented by working capital management, financial reporting, dividend payout, and asset management while dependent variable was represented by return on asset, return on equity, and profitability. A linear model was used to establish the combined influence of independent variable on dependent variable. The results revealed that all the independent variables had a significant positive influence on the dependent variable of the micro finance institutions in Kenya. The study recommended that there should be good management of cash and fixed assets to maintain liquidity and good performance.

Kimunduu et al. (2017) examined the relationship between financial performance and dividend policy of firms listed on the Nairobi securities exchange in Kenya. Ex post facto research design was used. The study was carried out on a sample of 31 firms listed on Nairobi securities exchange using purposive sampling technique. Data were obtained from the annual reports and accounts of the sampled firms. Regression model was used to test the formulated hypotheses. The findings revealed that there was a statistically significant direct association between return on equity and dividend policy showing that as firm profitability improved; a corresponding proportionate change in dividend payout ratio was initiated by management. The study further showed that there was a statistically significant positive linkage between operating cash flows and dividend policy which denoted that as cash flow levels from operating activities changed, dividend payout ratio would change in the same direction leading to increased distribution of cash dividend to investors. It also established a statistically significant relationship between price earnings and dividend policy. This result showed that increase in stock’s market value positively induced increase in dividend pay-out ratio hence the management followed an acceptable dividend policy by the shareholders. It was shown that firm performance influenced dividend pay-out ratio hence management should focus more on financial performance strategies and not dividend policy which was considered irrelevant.

Ajibola et al. (2018) examined capital structure and financial performance of listed manufacturing firms in Nigeria. The study used ex post facto research design. Data were obtained from the annual reports and accounts of sampled companies. Multiple regression model was adopted to test the hypotheses. The findings of the panel ordinary least square showed that a positive statistically significant relationship existed between long term debt ratio (LTDR) (0.0001), total debt ratio (TDR) (0.0065) and return on equity (ROE) while a positive statistically insignificant relationship existed between ROE (return on equity) and Short term debt ratio (STDR). There was also an insignificant negative relationship between all the proxies of capital structure (LTDR, STDR and TDR) and ROA which made ROE a better measure of performance. From the analysis conducted, it can be concluded that ROE (Return on Equity) is a better measure of performance compared to ROA (Return on Asset). However, LTDR (Long term debt ratio) which has the highest co-efficient (0.454642) with a probability of 0.0001 is also a very good proxy of capital structure compared to STD and TD ratios. Hence,
companies should employ more of long term debts (loans that mature in three or more years). From this study, capital structure has been established to remain vital to profitability of businesses in Nigeria.

Enekwe et al. (2015) used ex post facto research design in his study of dividend pay-out and performance evaluation an evidence from cement sub sector of Nigerian Exchange Group. Data were obtained from the annual reports and accounts of sampled cement companies in Nigeria. The findings revealed a positive relationship between dividend pay-out ratio (DPR) and all the dependent variables (ROCE, ROA and ROE) used for this study; that dividend pay-out ratio (DPR) was statistically significant with Return on Capital Employed (ROCE) and Return on Asset (ROA) while DPR is statistically insignificant with Return on Equity (ROE) of quoted cement companies in Nigeria and that R² of all the dependent variables (Return on Capital Employed; Return on Assets and Return on Equity) used for this study were affected by other variables outside the model. It further revealed that dividend payout ratio (DPR) has statistically significant effect on Return on Capital Employed (ROCE) and Return on Assets (ROA) of quoted cement companies in Nigeria while DPR has no statistically effect on Return on Equity (ROE) of quoted cement companies in Nigeria.

2.0 Methodology
This study used ex-post facto research design consisting of the population of 52 quoted manufacturing and 11 oil and gas firms in Nigeria. A purposive simple random sampling technique was applied to select a total of 34 manufacturing firms and 8 oil and gas firms for the study. Stratified sampling was also applied to ensure that every sub sector of the manufacturing was selected. The sub sectors used for the sample include Conglomerates (4), Food and Beverages (6), Brewery (3), Household (6), Healthcare (5), Paint (3), Agro-allied (3), Natural resources (2), Packaging (1), Cement (1) while the oil and gas firms include 11 Plc, Ardova Plc, Conoil Plc, Eternal Plc, Japaul Gold & ventures Plc, MRS Oil Nigeria Plc, Oando Plc, and Totalenergies Marketing Nigeria Plc. Panel data were gathered for companies who had been in operation for fifteen years (2006-2020) on return on equity, market price per share debt finance, investing activities, dividend payout, working capital, and total asset turnover of sampled manufacturing and oil and gas firms in Nigeria. Descriptive and inferential statistics were used to analyze the data for the study.

2.1 Model specification
The study used the econometric technique of ordinary least square (OLS). The multiple regression model is expressed below:

\[ Y = f(X) \]
\[ Y = \text{Dependent Variables} \]
\[ Y = y_1 \]
\[ X = \text{Independent Variables} \]
\[ X = x_1, x_2, x_3, x_4, x_5 \]
\[ \text{ROE}_it = \beta_0 + \beta_1 \text{DF}_it + \beta_2 \text{INVA}_it + \beta_3 \text{DIVPO}_it + \beta_4 \text{WCAP}_it + \beta_5 \text{TAT}_it + \mu \] 

Where:

**Dependent variable**
\[ y_1 = \text{return on equity (ROE)} \]

**Independent variables**
\[ x_1 = \text{debt financing (DF)} \]
\[ x_2 = \text{investing activities (INVA)} \]
\[ x_3 = \text{dividend pay-out (DIVPO)} \]
\[ x_4 = \text{working capital (WCAP)} \]
\[ x_5 = \text{total asset turnover (TAT)} \]

\( \beta_0 = \text{Regression constant} \)
\( \beta_1, \beta_5 = \text{Regression parameters} \)
\( \mu = \text{error term} \)

### 3.0 Data presentation
### 4.1 Results

The summary of comparative analysis is shown in the tables below for both descriptive and inferential statistics.

The descriptive statistics presented in Table 4.1 below shows the mean, standard deviation, minimum, and maximum of the explanatory variables measured by Debt Financing (DF), Investing Activities (INVA), Dividend Pay-out (DIVPO), Working Capital (WCAP), and Total Asset Turnover (TAT). The dependent variable is measured by Return on Equity (ROE) which is a proxy of performance.

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<thead>
<tr>
<th>Table 4.1</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>MEAN</strong></td>
</tr>
<tr>
<td></td>
<td>MAN</td>
</tr>
<tr>
<td>ROE</td>
<td>152.9</td>
</tr>
<tr>
<td>DF</td>
<td>62.125</td>
</tr>
<tr>
<td>INVA</td>
<td>-.0812</td>
</tr>
<tr>
<td>DIVPO</td>
<td>39.76</td>
</tr>
<tr>
<td>WCAP</td>
<td>1.318</td>
</tr>
<tr>
<td>TAT</td>
<td>.967</td>
</tr>
</tbody>
</table>

**Source:** Researcher’s computation (2022)

**Interpretation**
The mean values for the data set of Return on Equity (ROE) are 152.9 and 15.24 for manufacturing and oil and gas firms respectively while standard deviation values are 3091.86 and 99.42 for manufacturing and oil and gas firms respectively away from the means. This indicated some level of fluctuations in the data which may account for differences in the Return on Equity per unit over some time of sampled manufacturing and oil and gas firms due to effective management of owners’ funds. Since the study is looking at the comparison between manufacturing and oil and gas firms in Nigeria, it is appropriate to consider the coefficient of variation in analyzing the difference between the two sectors. A large variance indicates that numbers in the set are far from the mean and far from each other. A small variance, on the other hand, indicates the opposite. The coefficient of variation greater than 1 (one) shows relatively high variability in the data sets. The coefficient of variation is a better measure of risk quantifying the dispersion of an asset’s returns to the expected return hence the relative risk of the investment. The difference between the minimum value of -2087.7 and the maximum value of 69701.14 for the manufacturing sector revealed the extent to which manufacturing firms vary from each other. In the same vein for the oil and gas sector, the minimum value of -393.9 and the maximum value of 872.2 showed the extent to which oil and gas firms vary from each other. In comparing the minimum and the maximum values of the two sectors, the oil and gas sector appears to fare better than the manufacturing considering the difference between their minimum and maximum values.

Table 4.1 shows the summary statistics of all the variables obtained from the sampled listed manufacturing firms and oil and gas firms in Nigeria. The mean value for the data set of Debt Finance (DF) for the manufacturing sector is 62.125 while it is 75.48 for the oil and gas sector. The standard deviation for Debt Financing is 28.57 and 22.79 for manufacturing and oil and gas firms respectively. This can be responsible for the difference in the performance of the two sectors subject to the application of debt finance in their respective business operations. The standard deviation of the manufacturing sector is higher than that of the oil and gas sector. The standard deviation measures the extent of dispersion from the mean which suggests some levels of fluctuation in the data. A low standard deviation indicates that the data points tend to be very close to the mean, while a high standard deviation reflects that the data points are spread out over a large range of values.

The difference between the minimum value of 4.28 and the maximum value of 305.8 for the manufacturing sector shows the extent to which manufacturing firms vary from each other. In the same vein for the oil and gas sector, the minimum value of 31.53 and the maximum value of 247.85 shows the extent to which oil and gas firms vary from each other. In comparing the minimum and the maximum values of the two sectors, the oil and gas sectors appear to fair better than the manufacturing sector.

The mean values for the data set of Investing Activities (INVA) are -0.0812 and -0.04 for manufacturing and oil and gas firms respectively while standard deviation values are 0.615 and
0.25 for manufacturing and oil and gas respectively away from the means. This shows that some level of fluctuations exists in the data which may account for differences in the performance of sampled manufacturing and oil and gas firms due to their various investing activities embarked upon. The quantum of investment engaged in oil and gas firms was considered which could be generalized for the study. The difference between the minimum value of -13.73 and the maximum value of 1.06 for the manufacturing sector shows the extent to which manufacturing firms vary from each other. In the same vein for the oil and gas sector, the minimum value of -0.88 and the maximum value of 2.4 shows the extent to which oil and gas firms vary from each other. In comparing the minimum and the maximum values of the two sectors, the manufacturing sector appears to perform better than the oil and gas sector.

The mean values for the data set of Dividend Pay-out (DPO) are 39.76 and 47.24 for manufacturing and oil and gas firms respectively while standard deviation values are 163.49 and 165.29 for manufacturing and oil and gas respectively away from the means. This infers that some level of fluctuations exists in the data which may account for differences in the performance of sampled manufacturing and oil and gas firms due to their dividend policy. The difference between the minimum value of -935.63 and the maximum value of 3013.88 for the manufacturing sector shows the extent to which manufacturing firms vary from each other. In the same vein for the oil and gas sector, the minimum value of -623.08 and the maximum value of 1566.6 revealed the extent to which oil and gas firms vary from each other. In comparing the minimum and the maximum values of the two sectors, the oil and gas sector appears to perform better than the manufacturing sector in dividend pay-out.

The mean values for the data set of Working Capital (WCAP) are 1.318 and 1.04 for manufacturing and oil and gas firms respectively while standard deviation values are 1.33 and 1.55 for manufacturing and oil and gas respectively away from the means. This reflected some level of fluctuations in the data which may account for differences in the performance of sampled manufacturing and oil and gas firms due to the effective management of available working capital in their various organizations. The management of working capital engaged by both sectors was considered which could be generalized for the study. The difference between the minimum value of .02 and the maximum value of 19.25 for the manufacturing sector shows the extent to which manufacturing firms vary from each other. In the same vein for the oil and gas sector, the minimum value of 0.19 and the maximum value of 4.47 showed the extent to which oil and gas firms vary from each other. In comparing the minimum and the maximum values of the two sectors, the oil and gas sector appears to perform better than the manufacturing sector considering the difference between their minimum and maximum values.

The mean values for the data set of Total Asset Turnover (TAT) are .967 and 1.92 for manufacturing and oil and gas firms respectively while standard deviation values are 0.580 and 1.30 for manufacturing and oil and gas firms respectively away from the means. This indicated some level of fluctuations in the data which may account for differences in the performance of
sampled manufacturing and oil and gas firms due to the effective management of total asset turnover in their various organizations. The management of total asset turnover by both sectors was considered which could be generalized for the study. The difference between the minimum value of .05 and the maximum value of 3.98 for the manufacturing sector revealed the extent to which manufacturing firms vary from each other. In the same vein for the oil and gas sector, the minimum value of 0.03 and the maximum value of 8.04 showed the extent to which oil and gas firms vary from each other. In comparing the minimum and the maximum values of the two sectors, the manufacturing sector appears to perform better than the oil and gas sector considering the difference between their minimum and maximum values.

4.2 Test of Hypothesis

4.2.1 Regression analysis for the Hypothesis

$H_0$: Financial management practices have no significant effect on the return on equity of listed manufacturing and oil and gas firms in Nigeria.

Table 4.2: Estimation Results for the Model

<table>
<thead>
<tr>
<th>Sector</th>
<th>Manufacturing Sector</th>
<th>Oil and Gas Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimation</td>
<td>Pooled OLS Regression with Robust</td>
<td>Prais-Winsten Regression</td>
</tr>
<tr>
<td>Techniques</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable: ROE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-44.06</td>
<td>105.68</td>
</tr>
<tr>
<td>DF</td>
<td>5.697</td>
<td>5.92</td>
</tr>
<tr>
<td>INVA</td>
<td>-87.57</td>
<td>41.62</td>
</tr>
<tr>
<td>DIVPO</td>
<td>-0.017</td>
<td>0.077</td>
</tr>
<tr>
<td>WCAP</td>
<td>-37.97</td>
<td>46.46</td>
</tr>
<tr>
<td>TAT</td>
<td>-117.12</td>
<td>114.17</td>
</tr>
</tbody>
</table>

Source: Researcher’s Work (2022)

Note: All the analyses were tested at a significant level of 5%

Interpretation

Post-Estimations Test Results (Manufacturing Firms)

To determine the most appropriate method of estimating the regression Model for manufacturing firms among pooled OLS, fixed effects, and random effects results as presented in Table 4.2, the Hausman test was carried out; and based on the result of the test with the $p$-value of 0.666, that is, 66.6 percent which is more than the 5 percent level of significance chosen for the study revealed that fixed effects are not the most appropriate estimator according
to its null hypothesis which states that there is the absence of unsystematic difference in the model coefficients; thus, the study could not reject the null hypothesis.

Although, the Hausman test result revealed the inappropriateness of fixed effects; however, the confirmation of the result of the Hausman test was carried out using the ‘testparm’ test for fixed effect as this test helps to decide the appropriate model between the fixed effects and Pooled OLS regression. The results of the test with a \( p \)-value of 1.00, which is more than the significance level of 5 percent; confirmed that fixed effect is not appropriate in estimating model Two hence the adoption for Pooled OLS Regression with Robust.

The model was tested for heteroskedasticity and serial correlation to examine the robustness of the model. The heteroskedasticity test helps to examine whether the variations in the residuals of the model are constant overtime or not; the null hypothesis states that the standard errors of the model are constant over time. This test was carried out using Breusch-Pagan/Cook-Weisberg test and the result of the heteroskedasticity with a \( p \)-value of 0.000 which is less than the 5 percent level of significance selected for the study is an indication of the presence of heteroskedasticity; that is the residuals of the model are not constant over time, thus the model is not homoscedastic.

Also, a serial correlation test was carried out to determine the existence of autocorrelation among the residuals and the coefficients of the model. According to Baltagi (2021), the autocorrelation problem causes the standard errors of the coefficients to be smaller than their actual value and the coefficient of determination (R-squared) to be higher than normal. The null hypothesis of the test states that there is no serial correlation (no first order of autocorrelation). The test was carried out using the Wooldridge test and the result with a \( p \)-value of 0.829 (that is, 82.9 percent) which is more than the significance level of 5 percent is an indication that serial correlation problem does not exist (no serial correlation) in the model. The study could not reject the null and it was concluded that there was no first-order autocorrelation. As a result of the presence of heteroscedasticity and absence of serial correlation problems in the model, Pooled OLS Regression with Robust Standard Error was adopted to estimate the effect of strategic financial management practices on return on equity of listed manufacturing firms in Nigeria.

**Post Estimations test Interpretation (Oil and Gas Firms)**

In determining the most appropriate method of estimating the regression Model Two for Oil and Gas firms among pooled OLS, fixed effects, and random effects results as presented in Table 4.2, the Hausman test was carried out; and the result showed the \( p \)-value of 0.771, that is, 77.1 percent which is greater than the 5 percent level of significance chosen for the study, this revealed that random effects are the most appropriate estimator according to its null hypothesis which states that there is the presence of unsystematic difference in the model coefficients; thus, the study failed to reject the null hypothesis.
Although, the Hausman test result revealed the appropriateness of random effects; however, the confirmation of the result of the Hausman test was carried out using the ‘Breusch-Pagan Langrangian multiplier test for random effect’ as this test helps to decide the appropriate model between the random effects and Pooled OLS regression. The results of the LM test with a p-value of 0.118, which is higher than the significance level of 5 percent; confirmed the appropriateness of Prais-Winstem Regression in estimating model Two for Oil and Gas.

The heteroskedasticity test helps to examine whether the variations in the residuals of the model are constant overtime or not; the null hypothesis states that the standard errors of the model are constant over time. This test was carried out using Breusch-Pagan/Cook-Weisberg test and the result of the heteroskedasticity with a p-value of 0.588 which is more than the 5 percent level of significance selected for the study is an indication of the absence of heteroskedasticity; that is the residuals of the model are constant over time, thus the model is homoscedastic.

Also, a serial correlation test was carried out to determine the existence of autocorrelation among the residuals and the coefficients of the model. According to Baltagi, (2021), the autocorrelation problem causes the standard errors of the coefficients to be smaller than their actual value and the coefficient of determination (R-squared) to be higher than normal. The null hypothesis of the test states that there is no serial correlation (no first order of autocorrelation). The test was carried out using the Wooldridge test and the result with a p-value of 0.041 (that is, 4.1 percent) which is less than the significance level of 5 percent is an indication that a serial correlation problem exists in the model.

Finally, the diagnostic tests revealed that there is a presence of serial correlation problems in the model hence the adoption of Prais-Winsten Regression to estimate the effect of strategic financial management practices on return on equity of listed oil and gas firms in Nigeria.

**Regression Equation Results**

<table>
<thead>
<tr>
<th>Equation</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE(<em>{it}) = (\beta_0 + \beta_1\text{DF}</em>{it} + \beta_2\text{INVA}<em>{it} + \beta_3\text{DIVPO}</em>{it} + \beta_4\text{WCAP}<em>{it} + \beta_5\text{TAT}</em>{it} + \mu_{it})</td>
<td>Model 1</td>
</tr>
<tr>
<td>ROE(<em>{it}) = -44.06 + 5.697\text{DF}</em>{it} - 87.57\text{INVA}<em>{it} + 0.017\text{DIVPO}</em>{it} + 37.97\text{WCAP}<em>{it} + 117.12\text{TAT}</em>{it} + \mu_{it})</td>
<td>Model 1a</td>
</tr>
<tr>
<td>ROE(<em>{it}) = -12.34 + 0.088\text{DF}</em>{it} + 296.45\text{INVA}<em>{it} + 0.013\text{DIVPO}</em>{it} + 20.643\text{WCAP}<em>{it} + 5.784\text{TAT}</em>{it} + \mu_{it})</td>
<td>Model 1b</td>
</tr>
</tbody>
</table>

The Model in Table 4.2 examined the effect of strategic financial management practices on return on equity of listed manufacturing and oil & gas firms in Nigeria. The regression estimates results revealed that: for manufacturing firms, DF has a positive and insignificant effect on ROE (\(\beta = 5.697, p = 0.337\)). The positive value of its coefficient implies that a percent increase in DF (Debt Financing) will lead to a 5.697 percent increase in Return on Equity. This is the same situation with oil and gas firms as DF has a positive and insignificant effect on ROE (\(\beta = 0.88, p = 0.77\)). The positive value of its coefficient implies that a percent increase
in DF (Debt Financing) will lead to a 0.88 percent increase in Return on Equity of oil and gas firms. Therefore, the positive effect of DF on manufacturing firms in Nigeria is more than that of oil and gas firms in Nigeria.

Table 4.2 also revealed that Investing Activities (INVA) has a negative significant effect on Return on Equity ($\beta = -87.57$, $p = 0.036$); which means that a percentage increase in INVA will lead to a decrease of 87.57 percent in Return on Equity of selected manufacturing firms in Nigeria. However, for oil and gas firms in Nigeria, Investing Activities (INVA) has a positive and significant effect on Return on Equity ($\beta = 296.45$, $p = 0.00$); which means that a percentage increase in INVA will lead to an increase of 296.45 percent in Return on Equity of sampled listed oil and gas firms in Nigeria. This suggests that the effect of Investing Activities on both manufacturing and oil & gas firms in Nigeria differs.

Table 4.2 also showed DIVPO having a negative and insignificant impact on Return on Equity ($\beta = -0.017$, $p = 0.817$) indicating that a percent increase in DIVPO would result in a 0.017 percent decrease in ROE. However, for oil and gas firms in Nigeria, DIVPO (Dividend Payout) although not also significant but had a positive effect on Return on Equity ($\beta = 0.013$, $p = 0.71$) indicating that a percent increase in DIVPO would result in a 0.013 percent increase in ROE. Although the effect of DIVPO is not the same for the two firms, however, the effects are both not significant. It is negative for manufacturing while it is positive for oil and gas.

Working Capital (WCAP) as shown in Table 4.2 revealed a negative but insignificant effect on Return on Equity of manufacturing ($\beta = -37.97$, $p = 0.414$) showing that a percent increase in WCAP would yield a 37.97 percent increase in ROE. The situation is a bit different with oil and gas firms as WCAP has an insignificant positive effect on ROE ($\beta = 20.643$, $p = 0.12$) revealing that a percent increase in WCAP would yield a 20.643 percent increase in ROE. Therefore, WCAP was insignificant on both sides but it was negative on manufacturing firms in Nigeria and positive on listed oil and gas firms in Nigeria.

Lastly, TAT (Total Asset Turnover) has a negative and insignificant effect on Return on Equity ($\beta = -117.12$, $p = 0.305$) revealing that a percent increase in TAT would yield a 117.12 percent decrease in ROE of listed Manufacturing firms in Nigeria. For listed oil and gas firms in Nigeria, TAT (Total Asset Turnover) also has a positive but insignificant effect on Return on Equity ($\beta = 5.784$, $p = 0.28$) confirming that a percent increase in TAT would yield a 5.784 percent increase in ROE.

Summarily, only Debt Financing had a positive effect on the Return on Equity of listed manufacturing firms in Nigeria while other explanatory variables reflected negative effects. However, only Investing Activities significantly influenced ROE while other exogenous variables exerted an insignificant impact on ROE for manufacturing firms. However, Investing Activities are the only variable that had significant negative and positive effects respectively on ROE of listed manufacturing and oil and gas firms in Nigeria. All explanatory variables
(DF, INVA, DIVPO, WCAP, and TAT) had a positive relationship with the ROE of listed Oil and gas firms in Nigeria. Only INVA showed a positive significant effect while others showed a positive insignificant effect on return on equity of oil and gas sector.

The result of the F-stat with a probability value of 0.00 implies that all the proxies of the independent variables jointly and significantly impacted the ROE of listed manufacturing firms in Nigeria. The value of the coefficient of multiple determination (Adjusted R²) of 0.0046 means that all the proxies of the independent variables are jointly responsible for 0.46% changes in ROE while the remaining changes in ROA (99.54%) were caused by other factors outside the scope of this model. However, for oil and gas firms the result of the F-stat with a probability value of 0.00 implies that all the proxies of the independent variables also jointly and significantly impacted ROE. The value of the coefficient of multiple determination (Adjusted R²) of 0.555 means that all the proxies of the independent variables are jointly responsible for 55.5% changes in ROE while the remaining changes in ROE (44.5%) are caused by other factors outside the scope of this model. Adjusted R² of oil and gas is better and more significant than the manufacturing. These extraneous factors could include operational cost, inflation, government policies, electricity instability, and human resources.

**Decision**

At a level of significance .05, degree of freedom of 1, and F-statistics of the model, the p-value is 0.00 which is less than the adopted level of significance. Therefore the study rejected the null hypothesis which means that Strategic financial management practices have a significant effect on the return on equity of listed manufacturing and oil and gas firms in Nigeria. This result is consistent with the *a priori* expectation of this model.

**4.2 Discussion of Findings**

From the above analyses, we found the following:

i. Investing activities had negative relationship with return on equity of the manufacturing sector but it had positive relationship with return on equity of oil and gas firms in Nigeria.

ii. Dividend payout had negative relationship with return on equity while it showed a positive relationship with return on equity of oil and gas firms in Nigeria.

iii. Working capital revealed a negative relationship with return on equity but it had a positive relation with return on equity of oil and gas firms in Nigeria.

iv. The total asset turnover had a negative effect on return equity of the manufacturing sector but it showed a positive effect on return on equity of oil and gas firms in Nigeria.

v. Debt finance had positive and insignificant effect on return on equity of both sectors.

vi. Adjusted R² of oil and gas is 0.555 while that of the manufacturing is 0.0046
Financial management practices jointly had significant effect on return of both sectors with F statistics of 0.00 for both.

These results investigated the effect of strategic financial management practices on return on equity (RO) in Nigeria. This result is supported by the study of Akaji et al. (2021) which found capital structure positive on return on equity. The studies of Abubakar (2020) and Ajibola et al. (2018) in their investigation of financial leverage and return on equity supported this study when their reports revealed an insignificant effect of financial leverage on return on equity. This result agrees with the results of Enekwe et al. (2015) where dividend payout had no statistical significance on return on equity. There was an insignificant effect of dividend payout on return on equity of both sectors. The study disagreed with the study of Umar and Saidu (2016) which found dividend payout significantly negative on return on equity of oil and gas companies. This study found dividend payout insignificant negative for manufacturing but positive insignificant for oil and gas firms. The study also disagreed with the report of Kimunduu et al. (2017) which found dividend payout statistically significant on return on equity but it was statistically insignificant for both sectors though it was negative for manufacturing and positive for oil and gas. Hossain et al. (2019) and Akaji et al. (2021) disagreed with the results of this study as they reported a significant effect of capital structure on return on equity but debt finance was insignificant on return on equity in this study for both sectors. Samuel and Abdulateef (2016) in their investigation of liquidity management and return on equity found that liquidity management had an insignificant negative relationship with ROE which was in agreement with this study on manufacturing but in partial agreement with oil and gas as working capital has a positive insignificant effect on return on equity of oil and gas firms in Nigeria.

4.0 Conclusion
From this study, we conclude that:

i. Investing activities was significantly negative on ROE for the manufacturing but it was significantly positive for the oil and gas sector. This implies that while investing activities increases the return on equity of oil, it reduces the return on equity of the manufacturing sector.

ii. Dividend payout had negative and insignificant effect on ROE for the manufacturing sector while it had positive and insignificant effect for oil and gas firms. Modigliani irrelevant theory of dividend was seen here.

iii. Working capital had negative and insignificant effect on ROE for the manufacturing firms but it had positive and insignificant effect for oil and gas firms.

iv. The total asset turnover was insignificantly negative on ROE for the manufacturing while it was insignificantly positive for oil and gas firms in Nigeria.
v. The Adjusted R² for the manufacturing was 0.0046 showing that 99.54 per cent of factors that caused changes in ROE were outside the financial management practices. The Adjusted R² for oil and gas sector was 0.555 meaning that 45.5 per cent of factors that caused changes in ROE were outside the financial management practices. This indicates that oil and gas fared better than the manufacturing sector considering the influence of financial management practices on ROE.

5.1 Recommendations
To improve financial management practices on the performance of quoted firms in Nigeria, we recommend that:

i. The investors should consider appropriate variables that help them determine choice of a sector for investment purpose before they commit their hard earned resources.

ii. The management of the manufacturing sector should consider other factors outside the financial management practices that impacted return on equity to improve their performance so as to attract more investors to their sector.

iii. The manufacturing sector should look critically at those financial management practices (investing activities, dividend payout, working capital, and total asset turnover) that impact return on equity negatively.

iv. The regulator of the market should encourage comparative study on various sectors of the capital market to allow investors the opportunity to make better a choice of investment avenue. Manufacturing has several sub-sectors, comparative study should also be encouraged in this area.

References


