

Influence of Financial Management Practices on Earnings per Share of Quoted Industrial Goods Companies in Nigeria

Kolawole Fijabi^{a*}, Sunday Owolabi^b, Ayodeji Ajibade^c, Festus Ogedengbe^d

^{a,d} *Precious Cornerstone University, Garden of Victory, Olaogun Street, Ibadan and 200225, Nigeria*

^{b,c} *Babcock University, Ilishan Remo and 121103, Nigeria*

^a *Email: fijabikolawole@pcu.edu.ng*

^b *Email: owolabis@Babcock.edu.ng*

^c *Email: ajibadea@Babcock.edu.ng*

^d *Email: ogedengbefestus@pcu.edu.ng*

Abstract

The study investigated the influence of financial management practices on the earnings per share of quoted industrial goods companies in Nigeria (Debt, Asset turnover, Dividend payout, Cash flow investing, and Working capital as independent variables and Earnings per share as the dependent variable) for the period 2011 to 2021. An ex-post facto research design was used. All the quoted industrial goods companies in Nigeria with up-to-date data from their annual reports and accounts as of 31st December 2021 were used. The findings from the regression model showed that financial management practices had a significant effect on earnings per share of quoted industrial goods companies in Nigeria (Adjusted $R^2=0.2752$, $Chi^2_{(5)} = 20.15$, $p = 0.0012$).

The regression result also revealed that debt had a negative and significant effect ($F=-0.039$, $p=0.008$), asset turnover had a negative and significant effect ($F=-3.202$, $p=0.016$), dividend payout had a positive and significant effect ($F=0.023$, $p=0.047$), cash flow investing had a positive and insignificant effect ($F=2.590$, $p=0.172$) while working capital showed a positive and insignificant effect ($F=0.054$, $p=0.825$) on earnings per share of quoted industrial goods companies in Nigeria. It was recommended that investors should consider appropriate variables that impact earnings per share positively before investing.

Keywords: Asset Turnover; Debt; Dividend payout; Earnings per share; Financial management practices; Industrial Goods Companies; Working capital.

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* Corresponding author.

1. Introduction

Earnings per share (EPS) is a measure of financial performance used to determine the success of an organization. It is a quarterly requirement for companies in the USA to report EPS which has prompted managers to deliver satisfactory EPS results [71]. Globally, managers recognize the effect of EPS on stock prices hence managers' efforts are diverted from concentrating on projects and activities that will maximize shareholders' wealth in the long term. A positive EPS reveals the quality of returns the investment has attracted to the shareholder. Since managers' performance is measured by the EPS, the failure to meet the performance level implies remuneration and job security for managers. Performance proxied by earnings per share (EPS) is the dependent variable of the study. Financial management practices, the independent variable, is represented by debt financing, dividend payout, cash flow investing, total asset turnover, and working capital. Other performance indicators such as return on asset and return on equity have been used severally.

Globally, performance is enhanced by financial management practices which are considered a critical economic driver in the 21st century. Financing plays a critical role in the performance of industrial companies in Nigeria. Financing was considered one of the challenges facing this sector in Nigeria [5]. Financial management has been found as an important ingredient affecting the financial performance of industrial companies in Nigeria [53]. Especially, industrial sector had suffered shut down of a lot of companies in the past twenty years as a result of poor performance.

Through effective financial management practices (debt financing, cash flow investing, dividend payout, asset turnover, and working capital), industrial companies are required to manage their operations to achieve financial performance. The author in [5] opined that ineffective financial management and other business challenges were responsible for the business collapse in Nigeria. The authors in [46] opined that firms irrespective of their size, need sound financial management practices to achieve good financial performance. The authors in [60] confirmed that the good financial performance of a company is the outcome of effective and sound financial management practices. The report from the Nigerian Exchange Group (NGX) revealed that the industrial sector did not perform well based on earnings per share for the period of eleven years (2011-2021).

Industrial companies in Nigeria play a significant role in the Nigerian economy. Despite the provision of employment and contribution to the country's GDP through taxation, the industrial sector serves as a development hub of the economy. The industrial sector is considered as the measure of the development of any country. Due to the industrial development of some countries, they are considered developed counties (these are found in Europe, America, and Asia) while countries with less or no industrial development are considered as less developed or undeveloped countries (these are found in Africa). Manufacturing (industrial sector) is beset with inflation, power outage, competition with imported goods, high cost of production, transportation cost, foreign exchange issues, tax burden, and financing have threatened their continued existence and performance [6]. The manufacturing sector had suffered declined profits and losses, divestment, retrenchment, and closure over the past fifteen years [5].

Some studies were carried out on financial management practices and performance of small and scale

enterprises in Pakistan, Somalia, India, Ethiopia, Ghana, Nigeria, Kenya, Sri Lanka, Uganda, and Bangladesh. They adopted primary data in carrying out the studies and the variables used were limited. In India, the authors in [63] investigated financial management practices and profitability of modern rice milling firms in Kangayam Cluster, Tamil Nadu, India with the use of primary data. Independent variables used are short-term planning practices, long-term planning practices, accounting practices, and technology while the dependent variable is proxied by return on equity (ROE). In Somalia, The authors in [13] carried out a study on financial management practices and financial performance of service companies with the adoption of primary data. Independent variables used were working capital, investment decision, and financing decision while performance was proxied by sales growth, assets growth, and profit.

The authors in [20] studied financial management practices and their impact on organizational performance in Pakistan which used primary data in carrying out the study. Independent variables used were investment appraisal technique, financial assessment, capital structure, dividend policy, and working capital policy. In several studies reviewed, more than 94% adopted primary data. This suggests that there is a need for more ex-post facto research design for adoption to identify the verifiable, actual, and objective effect of the independent variables on the dependent variable. The secondary data used were actual figures that have been audited by a third party and found reliable.

Financial management practices have been found useful in improving the financial performance of firms across the globe. It is important to recognize that debt financing, cash flow investing, dividend payout, working capital, and asset turnover are key considerations that impact the performance of an organization [54].

This study outlines the influence of financial management practices (debt financing, dividend payout, investing activities, total asset turnover, and working capital) on the performance (EPS) of the listed industrial companies in Nigeria. The industrial sector was chosen for this study considering its strategic importance to the Nigerian economy. This paper is written to fill the gap by using ex-post factor research design which is a departure from primary data used in previous studies. Seventeen out of eighteen previous studies used primary data as a research design for their studies. This calls for the reason why more studies are required with the adoption of secondary data that will use figures from audited financial statements of sampled companies to show true situation instead of relying on subjective responses from respondents that may be difficult to verify. The study also used earnings per share (EPS) as a measure of performance which was not used in previous studies considered for this paper. It was also noted that many of the previous studies did not touch on the independent variables used by this study such as cash flow, dividend pay-out, asset turnover, and debt. Signaling theory was found appropriate for the study and this was not used in any of the previous studies. This study is filling literature and methodological gaps as stated above.

This study will contribute to the literature in the following ways: it will provide empirical evidence of the impact of financial management practices on the earnings per share (performance) of quoted industrial goods companies in Nigeria using secondary data, as there have not been many studies of this kind in Nigeria and other countries covered. Studies in other countries were carried out using primary data as evidenced in the empirical review. It will also encourage more studies in other sectors of Nigerian Exchange group (NGX).

2. Literature Review

2.1 Conceptual review

Earnings per Share (EPS)

Earnings per share is an accounting-based performance measurement used to measure the performance of a company against the outstanding shares registered in a company [14]. Accounting-based measurement is viewed as an effective gauge of a company's profitability in comparison with the benchmark rate of return equal to the risk-adjusted weighted average cost of capital [14]. The author in [14] revealed that Earnings per share is the measure of a company's profit allocated to each outstanding share of common stock. EPS is calculated as a company's profit divided by the outstanding shares of its common stock [14]. The result is a reflection of the company's profitability. The higher the EPS of a company, the more profitable it is assumed to be. EPS is considered a good indicator of a company's performance. The following authors [8, 21, 61] made use of EPS as performance measures. The author in [57] referred to EPS as a useful ratio investors could use to measure the profitability on company's shares. In order to obtain same value and correct comparison across the companies, same rule should be observed in its calculation. A standard on Earnings per share (IAS 33) was issued in December 2003 by the International Accounting Standards Board (IASB) to regulate the rules of calculating and presenting earnings per share in the financial statement. The application started on 1 January, 2005 and it was revised only once in 2008. The standard requires computation of and presentation in financial statement basic and diluted earnings per share and also suggests how it is done.

Debt financing

Debt financing is an external source of finance used to fund a business when the internal source is inadequate. The authors in [41] mentioned such external sources as banks, bonds, or other financial organizations. The author in [2] opined that external fund is required to augment the company's finance to achieve the internal objectives of the company hence equity or debt is sourced for the purpose. The capital structure reflects the funding of an organization for its operations and likely expansion programs. Debt carried in the books of a company is an indication that no company is self sufficient. Appropriate measure should be put in place to ensure that the debt introduced does not wipe away the expected benefits of the company.

Cash flow Investing activities

Investing activities are defined by IAS 7 as the acquisition and disposal of a long-term asset (including business combinations) and non-cash equivalent investments. Three levels of cash flows are derived from cash flow statements which are operating activities, investing activities, and financing activities as found in the author [75]. The investing activities 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 is broken down into (i) cash flows from property, plant, and equipment (operating) transactions, and (ii) cash flows from other (non-operating) investing activities.

Dividend payout

The dividend policy of a company determines how much of a company's profit is paid out as a dividend. Dividend is a crucial factor that impacts financing and investment decisions especially when such decisions are subject to cash flows from operations [37]. The author in [25] reported that introduction of dividends in East India in 1700 resulted in a rise in stock market prices. The author in [37] mentioned that dividends can be calculated in two different ways. The company can decide to pay dividends or reinvest the retained earnings for future expansion. The author in [50] mentioned that dividend payment is an indicator of a good-performing company that has good corporate governance and is capable of attracting potential investors. The following authors supported the dividend payout: (39, 51, 72, 59).

Working capital

The author in [11] mentioned that working capital is considered as the lifeblood of every economic activity. Every working capital management aims to ensure that business operations are run seamlessly to generate sufficient cash flows to meet short-term obligations. The author in [27] said that management needs to ensure a reduction in receivables and inventory collection and an extension in payment to suppliers and creditors to achieve efficiency in its operations. Working capital is the excess of current assets against current liabilities. The acceptable ratio is 2:1. Businesses are encouraged to aim for a current ratio of 2 and an acid test/quick ratio of 1 as mentioned by the author in [22]. The following authors [7, 44, 64] supported the working capital management and performance of companies.

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 sales showing the efficiency of assets utilization, that is, how well the company's management is using its total assets to generate sales as mentioned in the author [45]. Asset management ratios include inventory turnover, fixed asset turnover, Days sales outstanding, networking capital turnover, cash turnover ratio, receivables turnover, long-term assets turnover, current assets turnover, inventory period, average collection period, and total asset turnover [45, 40]. Total asset turnover (TAT) was considered for this study as it provided a total and comprehensive result from the financial statement which includes other asset management ratios. The following authors (58, 40, 70, 45) supported the total asset turnover.

2.2 Theoretical Review

Signaling Theory

Akerlof was the first to conceive Signaling in 1970 through the process of employment and product markets and was later proved as a theory by Spence in 1973 [78]. The author in [77] proposed the Signaling theory, which holds that managers' inside information will signal information to the market about the choice of capital structure. The theory says that a good and well-behaved firm can distinguish itself in a market from a poorly performed firm through the quality information or good performance achieved during the fiscal year sent to the

market. This information or result sent to the market is a signal to the market of what the company represents. It should be recognized that dividend payment is an obligation on the part of the management to appreciate shareholders for their commitment to the firm through their investment (47, 17).

The author in [77] described how the fulfillment of obligations might be used to distinguish between excellent and bad businesses. Information from a company's financial statement provides signals to investors about whether to invest in a firm. Ross assumes that management has the facts and figures hidden in the financial statement that can aid investment decisions that are not known to an investor (termed asymmetric information). The market is always looking forward to corporate news announcements at the end of every fiscal year as to what dividend each company will declare [43]. The authors in (72, 59) said that market participants can determine a performing or non-performing company through the information provided.

Dividends, according to signaling theory, provide market information about a company's future earnings [66]. Because dividends can only be paid out of profit, an increase in dividend payout is a good sign that the company is profitable. It's also a sign that the company is well-capitalized and can afford to pay the dividend [47]. A decline in dividends, on the other hand, is a sign that the company is having growth challenges as mentioned by these authors [43, 65].

There are two types of insider information in signaling theory which are costly signaling equilibrium discussed by the authors in (78, 77, 79) while the other costless signaling equilibrium discussed by other authors in [80, 81].

If the signal's production item consumes more resources than budgeted or if the signal is linked to a performance loss, the signal is said to be pricey. For financial instruments, the signaling paradigm is multivariate. According to the author in [31], enterprises with strong earnings growth use less debt financing and so incur less financial distress. Debt could be used to differentiate new entrant firms from the competition.

Debt issue was made popular by low-cost entrants, while others such as incumbents and high-cost entrants settled for equity issues. According to the author in [46], debt has a negative and significant effect on the financial distress of the studied companies, but this effect becomes positive and significant as the firm's size increases.

They also found that long-term debt had a positive and significant impact on large-scale businesses, but short-term debt has a significant adverse impact.

Signaling theory is important here as it further affirms the usefulness of financial management practices to investors. This is because signals of the financial status of the business are usually communicated through the financial statement of the organization, however, the performance of the organization is influenced by the application level of the financial management practices.

The signaling model of the author [76], revealed that poor return by a company is an indicator of poor performance to fund owners, this encourages managers to continue payment of dividends to investors.

Relevance

It helps companies on how to send information to the public and how the information is interpreted by the public. The information sent to the public represents a signal of what the company is doing. It reinforces the perception of public members. It informs the public about the firm, allowing the public to make an informed decision about the company's connection with them.

2.3 Empirical Review

The authors in [52] from Nigeria investigated the effect of financial management practices on the firm performance of selected manufacturing companies in Nigeria. The study used an ex post facto research design. The data was obtained from the annual reports of 5 companies randomly selected from the population. The data was for a period of 10 years (2010-2020). Ordinary Least Square (OLS) was used to analyze the data. The dependent variables used were profit after tax (PAT), retained earnings, and debt-to-equity ratio. The independent variable was financial management practices which were not broken down. The findings revealed that financial management practices had a positive significant effect on profit after tax ($p = 0.0021$) and retained earnings ($p = 0.0415$) but it had no significant effect on debt to equity ratio.

The authors in [44] from Nigeria investigated the effect of financial management practices on the performance of small and medium-scale enterprises in Keffi, Nassarawa State, Nigeria. A survey research design was adopted i.e. primary data was used. The population of the study refers to the operators and owners of SMEs in Keffi, Nassarawa State in Nigeria. Cochran's (1977) formula was used to determine the sample due to the infinite size of the population which is more than 50,000. The sample arrived at 163. The questionnaire was sent to the respondents and 161 were fully completed and returned representing a 98.77% response rate. Data were collated and analyzed using SPSS. Performance represents the dependent variable while working capital and financial planning stand for the independent variable. The findings showed that working capital management had a positive and significant impact on the performance of small and medium-scale enterprises in Keffi. It also showed that financial planning had a substantial impact on SME performance in Keffi.

The authors in [49] from Kenya carried out a study on financial management practices and performance of devolved sub-county treasuries of Makueni County, Kenya. The study adopted a cross-sectional survey research design. A sample size of 144 employees out of 227 employees from 6 sub-county treasuries of Makueni County was used adopting Yamane 1967 formula. A purposive sampling technique was used to pick the responders in Makueni County. The strata of employees considered for the study are top-level management, senior management/supervisory level, and low-level management because they are involved in the decision-making and execution of financial management practices. 91 questionnaires were properly filled and returned out of 144 questionnaires distributed representing a 63% response rate. The dependent variable is represented by Performance devolved sub county treasuries: Revenue target/actual revenue budget allocated/actual budget while the independent variable is proxied by Revenue collection practices (cash collection systems and automated revenue system), and budget control practices (budget planning, budget committee, and budgeting process). The findings revealed that the majority of devolved sub-county had adopted revenue collection

practices. The regression results showed that revenue collection practices had the second largest and most significant influence on the performance of sub-county treasuries in Makueni County. Furthermore, the majority of the devolved sub-county treasuries of Makueni County practiced budgetary control as part of financial management practices. Though it has the least and insignificant influence on the performance of devolved sub-county treasuries of Makueni County.

The authors in [38] from Somalia examined the effect of financial management practices on the financial performance of manufacturing firms in Bosaso City Puntland, Somalia. A descriptive research design was adopted. A sample of 64 managers was drawn out of 76 in the population of registered manufacturing firms in Somalia. A self-administered was used to obtain information from the owners or managers of the sampled manufacturing companies. The analysis was done using SPSS. The dependent variable is financial performance and the independent variable is represented by working capital management, investment decision, and financing decision. The findings revealed that working capital management did not have significant effect on the financial output of sampled manufacturing companies in Somalia. Investment decisions had a partial effect on the performance of manufacturing firms in Somalia. Financing decisions had a significant effect on the capital-output of manufacturing firms in Somalia. It was concluded that financial management practices affected the financial performance of manufacturing firms in Bosaso, Somalia.

The authors in [67] from Sri Lanka examined the impact of financial management practices on the performance of small and medium enterprises - legitimacy theory. Primary data was used for the study. The sample was selected through stratified simple random sampling among the SME owners/managers. A questionnaire was administered to selected owners/managers of the sampled SMEs. The dependent variable is performance while the independent variable is represented by Accounting Information Systems, financial reporting and analysis, financial planning and control, and working capital management. The findings revealed that Accounting Information Systems and financial reporting and analysis had a moderate level of adoption, Working capital management had a high level of adoption and financial planning and control had a low level of adoption in SMEs. Further, Financial reporting and analysis and Working capital management had a significant impact on the performance of SMEs in Sri Lanka. Accounting Information systems and financial planning and control had no significant impact on the performance of SMEs.

The authors in [16] from Kenya examined the effect of financial management practices on the performance of micro and small enterprises (MSE) in Bungoma Town. Primary data was adopted for the study. A correlational research design was used. The target population for the study was 712 small-scale traders in Bungoma Town out of which 256 traders were selected using the random sampling technique. Data was collected using a questionnaire and SPSS 26 was used to analyze the data which reflected the descriptive and inferential statistics. The dependent variables were market share, asset growth, investment growth, and profitability while the independent variables were represented by working capital management, liquidity management, fixed asset management practices, and financial reporting practices. The findings showed that all the proxies of financial management practices had a statistical significance on the performance of MSEs in Bungoma town. The study showed that liquidity management practices had the greatest positive impact on the performance of MSEs while asset management had the least positive effect on their performance.

The authors in [53] from Kenya investigated financial management practices and financial performance of microfinance institutions in Nairobi County Kenya. Primary and secondary data were used. The study used a census and purposive sampling technique. The primary data was obtained through a structured questionnaire. A linear model was used to establish the combined influence of the independent variable on the dependent variable. Independent variables used are working capital management, financial reporting, dividend payout, and assets management while performance is proxied by return on assets (ROA) and return on equity (ROE). The findings revealed that all the independent variables had a significant and positive influence on the financial performance of Microfinance institutions in Kenya. It was recommended that there should be proper management of cash and fixed assets to maintain liquidity and good performance.

The authors in [7] from Nigeria investigated financial management practices and performance of the small and medium-scale poultry industry in Ogun State, Nigeria. The study employed a survey design. The study population comprised Poultry farmers in 162 farms registered with the Poultry Association of Nigeria-Ogun State Chapter with a total of 200 farm managers, excluding farm attendants and other non-managerial staff. The Cochran formula was used to obtain a sample size of 150. The dependent variable is represented by profitability while the independent variable is represented by the annual budget process, capital structure management, and working capital management. The study revealed that all proxies of financial management practices such as annual budget process, capital structure management, and working capital management had positive and significant effects on the profitability of the poultry industry in Ogun State Nigeria (Adjusted $R^2 = 0.258$, F-statistics = 9.407.: $p = 0.000 < 0.05$).

The authors in [64] from Sri Lanka investigated the effect of financial management practices on the performance of small and medium-scale enterprises in Sri Lanka (SMEs). Primary data was adopted for the study. There were 2,000 SMEs identified as the population of the study. Stratified random sampling was used to select 245 SMEs in the manufacturing, service, and trade sectors. A structured questionnaire was used to obtain data from the sampled companies. The SPSS package was used to analyze the data from which descriptive and inferential statistics were drawn. Performance variable was represented by Growth in sales, Growth in profit, Number of new products, Customer satisfaction, customer loyalty, increasing number of customers, quality against competitors, price advantage, and employee retention. The financial management practices variable was represented by Working capital mgt practices (WCM), investment appraisal practices (IAP), capital structure management practices (CSM), financial reporting and analysis practices (FRA), and accounting information practices (AIP). The findings revealed that working capital management and capital structure management had a positive and significant effect on the performance of SMEs in Sri Lanka ($F=0.301$, $p\text{-value} = 0.000$; $F=0.126$, $p\text{-value}=0.011$). Other independent variables had a positive and insignificant effect on SMEs' performance in Sri Lanka (IAP – $F=0.075$, $p=0.252$; FRA – $F= 0.005$, $p=0.929$; AIS – $F = 0.059$, $p=0.086$).

The authors in [13] from Somalia carried out a study on financial management practices and financial performance of service companies in Somalia. Primary data was used and stratified sampling was adopted to select the sample of 145 respondents. Independent variables used are working capital, investment decision, and financing decision while performance is proxied by sales growth, assets growth, and profit. The findings revealed that working capital and investment decision are significant determinants of the financial performance

of the service companies in Somalia. It was also revealed that investment decision was the most important variable with a Beta of 0.544, followed by working capital management with a Beta of 0.419, and financial decision recorded the lowest with negative 0.010. It was recommended that service companies in Mogadishu should have a working capital management policy and investment decision policy that would impact the overall financial performance positively.

The authors in [36] from Bangladesh examined the effect of financial management practices on financial performance of financial institutions in Bangladesh. Primary data was adopted. The study used a correlational research design. 2 financial institutions were selected from 100 financial institutions operating in Bangladesh. There were 60 employees in the two organizations which constituted the population. 52 employees were selected out of the population of 60 employees using Sloven's formula. The dependent variable is represented by Gross premium, ROA, ROE; Moderating variable: Size and Age while the independent variable is proxied by working capital management, capital budgeting techniques, capital structure decisions, claims management policies, and corporate governance. The findings revealed that 76.6% of responders agreed that efficient financial management will help SMEs to improve their profitability. 83.3 % of respondents agreed that the payback period is considered before investing in projects. 80% of respondents agreed that their capital structure was appropriate and the high failure rate of SMEs due to a knowledge gap in financial management. 53.3% of respondents agreed that most business owners lack formal training in management skills including financial management.

The authors in [19] from Ghana examined the Impact of financial management practices on the growth of small and medium-scale enterprises in Ghana: The case of Birim central municipality. Primary data was adopted in carrying out the study. A descriptive survey with the use of a questionnaire design for data collection was adopted. 102 questionnaires were collected out of 120 distributed to respondents representing an 85% response rate. The findings revealed the types of business engaged by the responders which included sole proprietorship, partnership, cooperative, and limited liability companies. The result showed that 90.2% of the responders practiced financial management practices. 94.1% of responders agreed that financial management practices are very vital to their business. It was also shown that 90.1% of the respondent adopted one form of record keeping to document their business records. Only 35.3% of responders had attended one form of training or workshop. 95.1% of responders used the budget to control their cash flow activities. 64.7% of respondents do not sell on credit to their customers.

The authors in [48] from Ghana examined financial management practices, firm growth, and profitability of small and medium-scale enterprises (SMEs). Primary data was adopted. A sample of 100 SMEs in Accra Ghana was used and a questionnaire was sent to the respondents to obtain useful information from them for the study. Growth and profitability represent the dependent variable while working capital management, Accounting information, financial reporting practices, capital structure management, capital budgeting technique, and fixed assets management represent the independent variable. The Pearson correlation analysis revealed a positive association between the four proxies of financial management practices and profitability/growth. The results showed that SMEs should intensify more efforts on their financial management practices to improve their profitability and sustain growth.

The authors in [4] from Somalia examined the effect of financial management practices on financial performance in the public sector: A case of Somalia's civil aviation and meteorology authority. Primary was adopted. A descriptive research design was used. Stratified sampling was applied to select respondents from five departments of the Somalia aviation authority. A sampling ratio of 70% was applied to each department for selection. The population was 200 and the sample used for this study was 140. The questionnaire was administered to the respondents to obtain their views. Secondary data was also obtained through the company's publications, financial reports, industry publications, and SCAMA reports. Data were analyzed through descriptive and inferential statistics and presented using charts and tables. Financial performance represents the dependent variable while Budgeting, financial reporting, internal controls management, and corporate governance represent the independent variable. The findings revealed that the combined independent variables caused 53.45% of changes in the financial performance of SCAMA. All four independent variables were statistically significant on the financial performance. It was further revealed that all the four null hypotheses were rejected.

The author in [29] from Ethiopia carried out a study on the Assessment of financial management practices of private manufacturing companies in the case of Mekelle City. Primary data was adopted. The population of private manufacturing companies in Mekelle City was 13 out of which 11 were selected as a sample for the study due to the availability of complete data for them. The study covered various heads and officers of departments in Finance, Financial accounts, Cost and budget, and Management accounts. The population of staff involved was 116, out of which 96 were selected for the study. Stratified sampling was used to cover all the departments. 77 questionnaires were collected out of 96 representing an 80.21% response rate. Secondary data on the companies' profitability was obtained through Ethiopia Revenue Customs Authority. Financial reporting and analysis management, working capital management, accounting information system practices, and capital structure management stand for independent variables. The result showed that most of the manufacturing companies have applied financial reporting and analysis management; working capital management; and accounting information system management practices. Even if there was existing accounting information management practices, there was a difference among the companies in using a different package of software to fasten and incorporate all activities in one system. On the other hand, the companies did not apply financial management practices related to capital structure and capital budgeting management practices.

The authors in [24] from Kenya examined financial management practices and firm performance of small and medium enterprises in Busia Town, Kenya. A descriptive research design was adopted to guide the research. The target population for the study was 712 small-scale traders in Busia Town from which a sample of 88 respondents was selected using the simple random sampling technique. Data was collected using a questionnaire designed and administered to the business owner-managers by the researcher. Analysis of data on the other hand was done using both descriptive and inferential statistics. The dependent variable was represented by performance while the independent variable was represented by working capital management, cash flow management, asset management, and financial reporting. The findings revealed that financial management practices had a significant effect on firm performance with F-statistics of 48.313 and a p-value of 0.000 less than 0.05 level of significance. All the proxies of financial management practices have a positive and significant effect on firm performance.

The authors in [63] from India investigated financial management practices and profitability of modern rice milling firms in Kangayam Cluster, Tamil Nadu, India. Primary data was used through personal interviews. Independent variables used are short-term planning practices, long-term planning practices, accounting practices, and technology while the dependent variable is proxied by return on equity (ROE). The findings revealed that Short term planning practices with Eigenvalues of 9.46 accounted for 47.31 percent of the variation in the original data set. Long-term planning practices with an Eigenvalue of 3.33 explained 22.56 percent of variation while accounting practices with an Eigenvalue of 2.65 explained 17.55 percent of variation. The three principal components together explained 87.42 percent of the variance. The short-term planning management practices had a highly significant positive relationship with return on equity which supported the findings of Abanis and colleagues (2013). The long-term planning practices had a significant positive relationship while accounting practices had an insignificant positive relationship with return on equity. Technology introduced as a dummy variable showed a significant positive relationship with return on equity. Nguyen (2001) in his study on small and medium enterprises reported a significant positive relationship between short-term planning practices, long-term planning practices, and financial information system practices and profitability. The authors in [73] from Ghana investigated financial management practices and profitability of business enterprises in Obuasi municipality, Ghana. The study adopted primary data. The questionnaire was administered to 99 manufacturing enterprises and 100 trading enterprises out of the population of 197 manufacturing enterprises and 200 trading enterprises. The dependent variable is represented by Profit margin and return on sales while the independent variable is proxied by Working capital and capital budgeting management. The results showed that working capital management had a positive and significant effect on the profitability of business enterprises but capital budgeting management had a negative relationship with the enterprises' profitability. Review of the previous studies showed that one [52] out of eighteen studies was carried out through secondary data. The independent variable, financial management practices was not broken down into proxies. The remaining seventeen studies were carried out through primary data. Four of the studies used manufacturing industry, eleven of them used Small and Medium Scale enterprises,, two used service and finance sector, and only one used public sector. Most of the results did not show figures generated from the financial statements of these companies. Private companies and SMEs were used by other authors, some of them might not want to release their financial statements to the public. The results of their studies were generated from respondents' responses which are difficult to verify. They all did not have same proxies for financial management practices and performance which might make it difficult to compare. Previous works of [52, 38, 16, 53, 48, 4, 24] showed that financial management practices had a positive significant effect on performance of various sectors such as manufacturing, SMEs, and service sector. They were all carried out through primary data except the author in [52]. Some of them shared one or more variables with this study; the author in [44] – working capital management, [38] - working capital management, investment decision, and financing decision, [16] - working capital management, liquidity management, fixed asset management practices, [53] - working capital management, dividend payout, and assets management, [7] – working capital management, [13] - working capital, investment decision, and financing decision, [36] – working capital management, [48] – working capital management, [29] – working capital management, [24] – working capital management, [73] – working capital management. It can be seen here that working capital was used by all the authors mentioned. There was no figure to prove the results because the researchers relied on the responses from the respondents

unlike secondary data that showed the figures from the audited financial statements. None of the studies used earnings per share as a performance proxy

2.4 Conceptual Framework

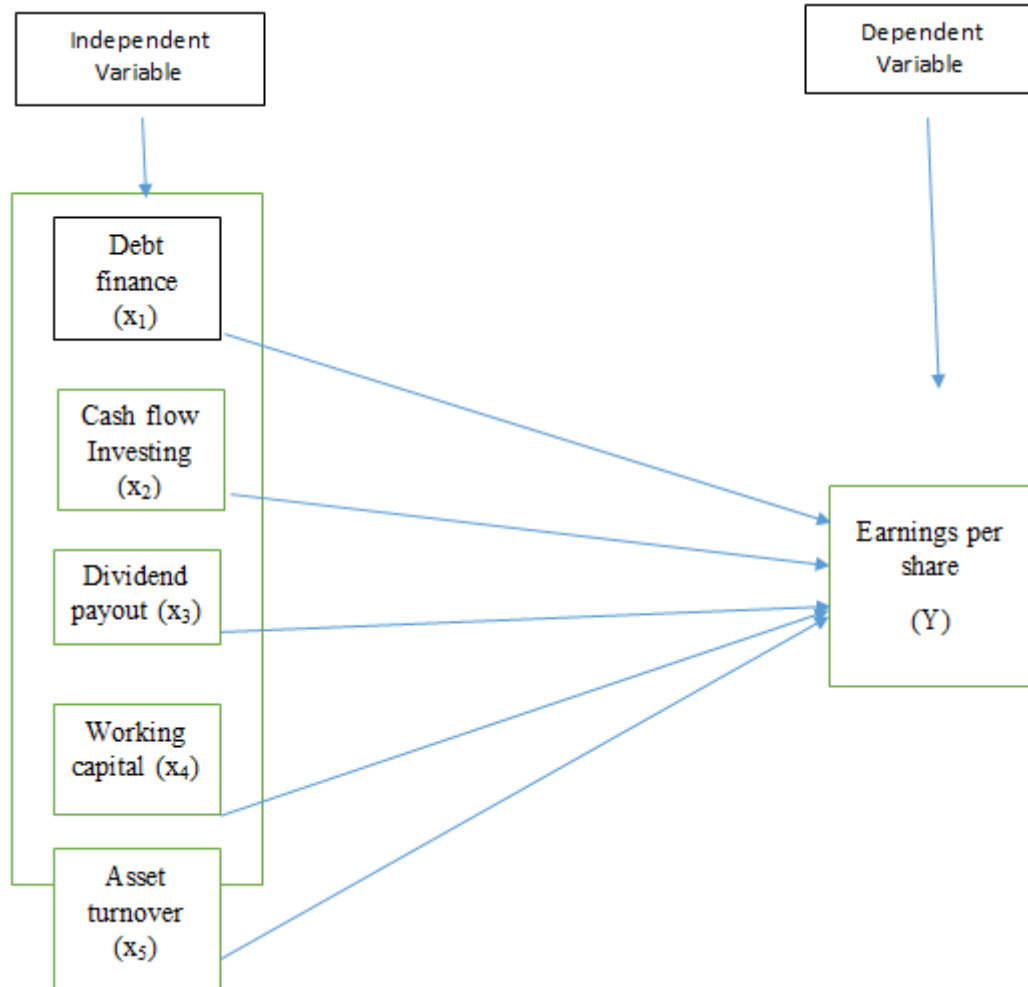


Figure 1

Source: Author's figure (2023)

3. Methodology

3.1 Population and sample

The population of this study is all the 9 industrial companies listed on the Nigerian Exchange group (covering Berger Paints Plc, Beta Glass Company, Chemical & Allied Products Plc, Cutix, Dangote Cement Plc, Greif Nig. Plc, Lafarge Cement Wapco Nig. Plc, Meyer Plc, and Premier Paints Plc) during the period 2011-2021. Purposive and stratified sampling was employed to determine the sample to obtain representative data. The industrial goods sector was taken from the manufacturing segment of the Exchange. All the companies in the group were considered for the study due to the small number of companies in the sector.

3.2 Data Collection Techniques

The research technique adopted was ex post facto. Data used for the study were obtained from annual reports and audited accounts for the period 2011-2021 of all sampled listed industrial goods companies in Nigeria. 9 listed industrial goods companies that had complete financial statements and those that were within the incorporation dates of eleven years hence any company incorporated after 2011 would not qualify for the study.

3.3 Operationalization of Variables

3.3.1 Dependent Variable

The dependent variable used in this study is earnings per share. EPS is calculated as a company's profit divided by the outstanding shares of its common stock [15].

$$\text{EPS} = \text{Profit after tax} / \text{Number of outstanding shares} \quad [61]$$

3.3.2 Independent Variables

Independent variables are variables that impact a change in the dependent variable with a positive or negative relationship [30]. Independent variables used in this study are debt financing (Debt), Cash flow investing (CFI), dividend pay-out (DP), working capital (CR), and asset turnover (AT).

3.4 Method of Data Analysis

3.4.1 Multiple Linear Regression Analysis

The analytical method used is multiple linear regression analysis. There are five independent variables which include debt financing (Debt), investing activities (CFI), dividend pay-out (DP), working capital (CR), and total asset turnover (AT) and there is one dependent variable which is earnings per share. The regression model for the study is expressed as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + \varepsilon$$

y = earnings per share

α = constant

x_1 = debt finance

x_2 = investing activities

x_3 = dividend pay-out

x_4 = working capital

x_5 = total asset turnover

ε = standard error

3.5 Hypothesis

The hypothesis for the study was formulated as follows:

Ho: Debt financing, investing activities, dividend payout, working capital, and total asset turnover had no significant effect on Earnings per share.

The test was performed at a significance of 5%. Ho is not rejected if the number of significance is >5% and Ho is rejected if the number of significance is <5%.

The test of F-statistics aims to test the collective effect of independent variables against the dependent variable to identify the significant value of its F-statistics. If the F-statistics is less than 0.05 then the alternate hypothesis is accepted but if the F-statistics is more than 0.05 then the null hypothesis will not be rejected.

4. Data analysis, results, and discussion of findings

4.1 Descriptive analysis

4.1.1 Descriptive Statistics

The study consisted of annual data for eleven years (2011-2021) for nine (9) quoted industrial goods companies on the Nigerian Exchange group (NGX).

The summary of the analysis of financial management practices influences (debt financing, investing activities, dividend payout, working capital, and total asset turnover) on earnings per share for the quoted industrial goods companies in Nigeria for inferential statistics. The descriptive statistics in Table 4.1 below show the mean, standard deviation, minimum, and maximum of the independent variables:

Table 4.1: Descriptive statistics.

Variable	Obs	Mean	Std. Dev.	Min	Max
eps	99	3.218	5.318	-7.32	22.83
debt	99	59.942	33.682	28.14	222.97
at	99	.855	.480	0	2.27
dp	99	35.595	41.248	-134.58	156.87
cfi	99	-.019	.198	-.29	1.49
cr	99	1.431	1.548	.01	13.82

Source: Stata from Researcher's computation (2023)

Interpretation

Table 4.1 above showed the summary statistics of all the variables obtained from the sampled quoted industrial goods companies in Nigeria. The mean value for the data set of debt (DF) is 59.942. The standard deviation for Debt Financing is 33.682. 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 28.14 and the maximum value of 222.97 shows the extent to which the debt financing of quoted industrial goods companies in Nigeria varies from each other.

The mean value for the data set of asset turnover (AT) is 0.855 while the standard deviation is 0.480. The difference between the minimum value of 0.00 and the maximum value of 2.27 shows the extent to which the asset turnover of quoted industrial goods companies in Nigeria varies from each other.

The mean value for the data set of dividend payout (DP) is 35.595 while the standard deviation is 41.284. The difference between the minimum value of -134.58 and the maximum value of 156.87 shows the extent to which the dividend payout of quoted industrial goods companies in Nigeria varies from each other.

The mean value for the data set of cash flow investing (CFI) is -0.19 while the standard deviation is 0.198. The difference between the minimum value of -0.29 and the maximum value of 1.49 shows the extent to which the cash flow investing of quoted industrial goods companies in Nigeria varies from each other.

The mean value for the data set of working capital (CR) is 1.431 while the standard deviation is 1.548. The difference between the minimum value of 0.01 and the maximum value of 13.82 shows the extent to which the working capital of quoted industrial goods companies in Nigeria vary from each other.

The mean value for the data set of earnings per share (EPS) is 3.218 while the standard deviation is 5.3180. The difference between the minimum value of -7.32 and the maximum value of 22.83 shows the extent to which the earnings per share of quoted industrial goods companies in Nigeria vary from each other.

4.1.2 Pre-estimation Tests

4.1.2.1 Multicollinearity

To form the fitness of the data that were used in the models, the data series were tested for multicollinearity using correlation matrix and Variance Inflation Factor (VIF) tests. The results of these tests are presented in Table 4.2. The VIF test revealed the presence or absence of multicollinearity through the mean value of the test result but did not reveal the degree of association among the variables to easily recognize the variables affected, though the correlation matrix revealed the magnitude of the association among the variables.

Table 4.2: Correlation Analysis.

	DEBT	AT DP	CFI	CR	VIF	1/VIF
debt	1.0000				1.23	0.812
at	-0.095	1.000			1.43	0.701
dp	-0.321	0.476	1.000		1.45	0.689
cfi	0.068	-0.1393	-0.142	1.000	1.04	0.961
cr	-0.297	0.285	0.144	0.049	1.000	0.961
				Mean VIF		1.27

Source: Staata output from Researcher’s Computation (2023)

Table 4.2 above shows the Variance Inflation Factor (VIF) test. The mean result of VIF is 1.27 below the threshold of 10 which indicates the absence of multicollinearity problems among the variable data series. To ensure that the estimated parameters are not biased and inefficient, the study used the variance inflation factor for each of the explanatory variables by examining the possibility of multicollinearity among the independent variables. The results of the VIF are less than 10 for each of the variables. The variables have VIF of 1.23 (Debt), 1.43 (Asset Turnover - AT), 1.45 (Dividend payout - DP), 1.04 (Financing cash flow -CFI), and 1.04 (Current ratio - CR). The results revealed that Debt, AT, DP, CFI, and CR have a positive association with the performance of quoted industrial goods companies in Nigeria with correlational values of 0.812, 0.701, 0.689, 0.961, and 0.961 respectively.

Table 4.2 also revealed 0.476 as the highest result figure which implies a positive relationship between dividend payout and asset turnover while the lowest is -0.321 which signifies a weak negative relationship between dividend payout and debt. These are lower than the threshold for establishing multicollinearity and an indication of the absence of multicollinearity in the data sets used in this study. The result further confirmed the VIF results discussed earlier.

Table 4.2 revealed that Debt is negatively and weakly related to asset turnover (AT), dividend pay-out (DP), and working capital (CR), but it is positively correlated to cash flow investing (CFI). This is obtained from their associated correlation values of -0.095, -0.321, -0.297, and 0.068 respectively. This shows that Debt (Debt), asset turnover (AT), Dividend pay-out (DP), and working capital (CR) move in the same direction, that is, as one decreases the other also decreases. There was a positive and weak association between debt and cash flow investing with a value of 0.068.

Table 4.2 also showed a positive and weak relationship among the asset turnover (AT), dividend pay-out (DP), and working capital (CR), but it has a negative and weak relationship with cash flow investing (CFI) with correlational values of 0.476, -0.139, and 0.285 respectively. This shows that as one increases, the other also increases for positive correlation while negative correlation shows that as one decreases the other also decreases.

It was also shown in Table 4.2 that there was a negative but weak relationship between dividend pay-out (DP) and cash flow investing (CFI), but dividend pay-out (DP) has a positive and weak relationship with working

capital (CR) with correlational values of -0.142 and 0.145 respectively. This reveals that as one increases or decreases, the other also increases or decreases though at a low pace. It was also revealed that cash flow investing had a positive and weak relationship with working capital (CR) with a correlational value of 0.049.

Finally, the result of Table 4.2 showed an absence of multicollinearity looking at all the related values in the data series with a VIF means of 1.27 less than 10.

Table 4.3: Estimation Results for the Study Model.

R-sq: within = 0.1663	Obs per group: min = 11
between = 0.3718	avg = 11
overall = 0.2752	max = 11
	Wald chi2(5) = 20.15
corr(u_i, X) = 0 (assumed)	Prob > chi2 = 0.0012

Random-effects Regression with Driscoll-Kraay Std Error						
eps	Coef.	Std. Err.	z	P>z	[95% Conf.Interval]	
cons	7.458	2.145	3.48	0.001	3.254	11.661
debt	-0.039	0.015	-2.64	0.008	-0.068	-0.010
at	-3.202	1.331	-2.41	0.016	-5.810	-0.593
dp	0.023	0.012	1.99	0.047	0.000	0.045
cfi	2.590	1.898	1.36	0.172	-1.129	6.310
cr	0.054	0.244	0.22	0.825	-0.423	0.531
		sigma_u	4.0049634			
		sigma_e	3.2002358			
	rho	.61031104 (fraction of variance due to u_i)				

Source: Stata output from Researcher’s Work (2023)

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

Interpretation and Discussion of Findings

Post-Estimation Test Results

To identify the most appropriate method of estimating the regression Model for this study from pooled OLS, fixed Effects, and random effects results as presented in Table 4.3, the Hausman test was carried out; and the test result showed a *p-value* of 0.8294, that is, 82.94 percent which is greater than the 5 percent level of significance chosen for the study revealed that random effects are the most appropriate estimator according to its null hypothesis which states that difference in coefficients not systematic thus, the study could not reject the null hypothesis. A testparm test was carried out to know the appropriate model between pooled OLS and fixed effect. The test result showed a *p-value* of 0.000 which is less than the significance level of 5 percent, confirming the superiority of fixed effect over pooled OLS. Hausman's result was upheld to adopt random effect with Cluster standard errors to estimate the effect of financial management practices on earnings per share of quoted industrial good companies in Nigeria.

Regression Equation Results

$$EPS_{it} = \alpha_0 + \beta_1 Debt_{it} + \beta_2 AT_{it} + \beta_3 DP_{it} + \beta_4 CFI_{it} + \beta_5 CR_{it} + \mu_{it} \dots \dots \dots \text{Model 1}$$

$$EPS_{it} = 7.458 - 0.039 Debt_{it} - 3.202 AT_{it} + 0.023 DP_{it} + 2.590 CFI_{it} + 0.054 CR_{it} + \mu_{it} \dots \dots \dots \text{Model 1a}$$

The Model in Table 4.3 examined the influence of financial management practices on earnings per share of quoted industrial goods companies in Nigeria. The regression estimates results revealed that: Debt has a negative and significant effect on the EPS (performance) of quoted industrial goods companies in Nigeria ($\beta = -0.039$, $p = 0.008$). The negative coefficient value implies that a percentage increase in Debt would lead to a 0.039 percent decrease in earnings per share. The implication of this is that introduction of debt into the business of quoted industrial goods companies in Nigeria does not lift their earnings per share.

Table 4.3 also revealed that Asset turnover (AT) had a negative and significant effect on earnings per share ($\beta = -3.202$, $p = 0.016$); which means that a percentage increase in AT would lead to a decrease of 3.202 percent in earnings per share of selected industrial goods companies in Nigeria. It implies that asset turnover does not impact the earnings per share positively, that is asset turnover is not yielding positively on the operations of the business to impact the earnings per share. This is not in agreement with the work of [16] and [53] which reported a positive effect of asset management on the performance of SMEs in Kenya. The author in [48] also showed a positive association between fixed asset management and performance of SMEs in Ghana.

Table 4.3 also showed dividend payout (DP) having a positive and significant impact on earnings per share ($\beta = 0.023$, $p = 0.047$) showing that a percentage increase in DP would result in a 0.023 percent increase in earnings per share of quoted industrial goods companies in Nigeria.

The implication of this is that attention should be paid to dividend payment as it has a positive significant effect on earnings per share. Dividend payment contributes to earning capacity of a shareholder, the company's management should look into this area to encourage potential investors to seek investment in this sector. This is in tandem with the work of [53] which showed a positive and significant effect of dividend payout on performance of micro finance institutions in Kenya.

Table 4.3 revealed that cash flow investing had a positive and insignificant effect on earnings per share ($\beta = 2.590$, $p = 0.172$). This means that a percentage increase in cash flow investing activities would result in a 2.590 percent increase in earnings per share of quoted industrial goods companies in Nigeria. This shows that investing cash flow of companies in this sector generates good returns which translates to significant earnings per share. The shareholders will be happy with the investment their funds were committed into. This is in tandem with the work of [16] which reported a positive effect of liquidity management on the performance of SMEs in Kenya.

Lastly, working capital (CR) as shown in Table 4.3 revealed a positive but insignificant effect on Earnings per share of the industrial goods sector on Nigerian Exchange Group (NGX) ($\beta = 0.054$, $p = 0.825$) inferring that a percent increase in CR would yield a 0.054 percent increase in EPS. Though it appeared insignificant, the result

was positive showing that companies in this sector were able to meet their short term obligations (current assets in excess of current liabilities). This is in tandem with the study of [64] which reported that working capital had a positive effect on the performance of SMEs in Sri Lanka ($F=0.301$, $p\text{-value}=0.000$). The authors in [7] reported a positive effect of working capital on the performance of poultry industry in Ogun State in Nigeria ($F=9.407$, $p\text{-value}=0.000$) while the authors in [44] showed a positive effect on the performance of SMEs in Keffi, Nigeria.

Summarily, Debt and Asset turnover had a negative effect on EPS but Dividend pay-out, Cash flow investing activities, and Working capital had a positive impact on EPS. At the significance level, Debt, Asset turnover, and Dividend pay-out were significant on EPS while Cash flow investing and Working capital had no significance on EPS. The implication of this is that the management of these companies should pay attention to debt, asset turnover, and dividend pay out to improve the earnings per share of quoted industrial goods companies in Nigeria. They should be cautious in introducing debt into the business operations of these companies so as not to discourage investors from the companies.

The management also needs to look at the quality of assets that is being used to generate sales or revenues for these companies. Critical review should be carried out to know why asset turnover has negative significant effect on earnings per share.

The result of the F-stat with a probability value of 0.0012 implied that financial management practices had a significant impact on the EPS of quoted industrial goods companies in Nigeria. The Adjusted R^2 revealed that 27.52% of independent variables accounted for the changes in Earning per share of quoted industrial goods companies in Nigeria while other factors representing 72.48% were outside financial management practices.

Decision

At a level of significance of .05, (F-statistics = 20.15, $p\text{-value} = 0.0012$) $p\text{-value}$ is less than the adopted level of significance hence the study rejected the null hypothesis which stated that Financial management practices had no significant effect on Earnings per share of quoted industrial goods companies in Nigeria and therefore accepted the alternate hypothesis that Financial management practices had a significant effect on the Earnings per share of quoted industrial goods companies in Nigeria. This result is consistent with the *a priori* expectation of this model.

The result is in tandem with the study of authors in [24] which reported that financial management practices had a significant effect on the firm performance of SMEs in Kenya (F statistics =48.313, $p\text{-value} =0.000$). The study of authors in [48] reported a significant effect of financial management practices on firm growth and profitability of SMEs in Ghana which is in tandem with this study.

The authors in [16] also showed a significant effect of financial management practices on the performance of MSEs in Kenya which is in agreement with this study. The study is in support of the Signaling theory which showed the direction of financial management practices on the performance of quoted industrial goods companies in the Nigerian Exchange group (NGX).

5. Conclusion and Recommendation

5.1 Conclusion

From this study, we concluded that:

- i. Debt was negative and significant on EPS for quoted industrial goods companies in Nigeria ($F = -0.039$, $p = 0.008$). This implies an inverse relationship between debt structure and earnings per share of this manufacturing sub-sector. The introduction of debt into the business did not yield good results. Debt was significant in the operations of these companies but it should be properly managed to produce better results.
- ii. Asset turnover was negative and significant on earnings per share of quoted industrial goods companies in Nigeria ($F = -3.202$, $p = 0.016$). This implies an inverse relationship between asset management and earnings per share of this sub-sector of manufacturing in Nigeria. The quality of assets used to generate sales for these companies should be reviewed. They should check whether they are due for replacement, injection of fresh capital, proper management of working capital, and reasons for lower sales.
- iii. Dividend payout was significant and positive on EPS for this sub-sector ($F=0.023$, $p=0.047$). This implies a direct relationship between dividend payout and earnings per share of industrial goods companies in Nigeria. The introduction of dividend payout in the sub-sector revealed a positive impact on the earnings per share. Dividend payment improves earning capacity for a shareholder and it encourages them to invest more in the company.
- iv. Cash flow investing activities had a positive and insignificant effect on earnings per share of quoted industrial goods companies in Nigeria ($F=2.590$, $p=0.172$). This reflects the impact of investing activities on the earnings per share of these companies. Though it appeared insignificant, the cash flow had a positive effect on the earnings per share of these companies showing that investment carried out did not result in losses.
- v. Lastly, working capital had a positive and insignificant effect on earnings per share of the industrial sector of the Nigerian Exchange group. The implication is that the companies in this sector were able to meet their short term obligations that their current assets were able to meet current liabilities.

5.2 Recommendations

To improve the independent variables on the EPS of quoted companies in Nigeria, we recommend that:

- i. The investors should consider appropriate independent variables that could influence positive EPS of their chosen sector for investment purposes (DP, CFI, and CR for the industrial sector). They should also pay attention to performance indicator that adds value to their investment.

The management of industrial companies in Nigeria should consider other factors (economy and politics) outside the independent variables that can impact the EPS to improve their performance to attract more investors to their sector.

- ii. Asset managers should consider performance indicators for a sustainable investment that brings value to their client's investments.
- iii. Researchers are encouraged to look at other sub-sectors of the Nigerian Exchange group to provide better opportunities to investors for investment decision-making. Researchers are also encouraged to adopt secondary data for this study to increase empirics for further studies.

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