CASH CONTROL PRACTICES IMPACT ON THE FINANCIAL PERFORMANCES OF SOME SELECTED NIGERIAN PLASTICS AND ENERGY FIRMS

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Abstract

The survival of a business depends on its ability to manage profitability and control cash to ensure high liquidity position especially in this era of COVID-19 outbreak. This study thus, examined cash control practices (CCPs) impact on the financial performance (PFs) of some selected plastics and energy firms (PEFs) in Nigeria. This study adopted case study research design. The population of this study is made up of all the PEFs in Nigeria. Panel secondary data was used to elicit information from the annual accounts and reports of the selected companies. This study employed regression models and non-parametric test to analyze the data. The results from non-parametric test showed a rejection of the tested three hypotheses at 0.05% significant level confirming that CCPs exert significant impact on the FPs. This study concluded that there are positive effects of CCPs on the FPs of PEFs in Nigeria. This study recommended that adequate the CCPs that can block cash pilfering should be installed to improve FPs of companies in Nigeria and other countries. The outcome of this study would gear up the business owners to install cash control procedures that could resolve cash mismanagement and liquidity problems for their businesses. Furthermore, findings from this study would serve as a valuable data for future research in this study area.

Key Words: Cash control practices, financial performance, Nigerian plastics and energy firms

1. Introduction

Cash is an important liquid asset in a business. Improper control over cash in this era of COVID-19 pandemic may lead to illiquidity and poor profitability. Maintaining profitability and liquidity position is a concept that is attracting more attention among the business men all over the world especially with the state of the world economy caused by COVID-19. It is the companies’ most liquid assets that can acquire other assets. It may be difficult for a firm to be prospered and succeed without adequate cash control. Cash control is
all about monitoring and managing credit collection, cash allocation, cash disbursement and account payable policies including invoicing cycle (Badara & Saidin, 2013). The effects of pandemic outbreak on the businesses and their ability to meet both short and long time obligations are worrisome as this situation has put many companies into the danger of bankruptcy and liquidation due to their insolvency. The present global economic meltdown and COVID-19 crisis have put the practical control over cash and its management back to the spotlight. Cash management and control are major activities of managing the internal cash movement activities and procedures to enable entities improve their financial operations and achieve their set goals and aspirations. The financial performance is a measure of how well a business is being managed in line with its set goals. The systems of cash control practices (CCPs) will play significant roles in improving financial performances (FPs) of plastics and energy firms (PEFs) in Nigeria and other countries around the world. An effective cash control practices has the potential of enabling a business to survive and reduce the incidence of carry over frauds and cash pilfering by the employee. Some reviewed related studies like Lumumba, Nyabwanga, Odondo, Otieno and Ojera (2012); Gyebi and Quain (2013); Franks and James (2014); Janaki (2016); Kinyanjui, Kiragu and Kamau (2017); Aminatu and Liman (2018) AND Eton1, Uwonda, Mwosi, Patrick, Ogwel, Obote. (2019) on the effects and the impact of CCPs on the FPs of a business affirmed that the practices of internal control procedures have reduced cash mismanagement and improve liquidity positions. Well designed CCPs must ensure a proper duties segregation and only one employee should not have absolute power to undergo the entire cash process. The CCPs is all about having different people to receive and deposit cash, record cash payments to receivable records and reconcile cash receipt to deposit and general ledger. However, FP is a subjective measure of how well a firm can use asset from primary mode of business to generate revenue. Any company that cannot judiciously utilize its assets like cash whether in hand or at banks has failed in term of cash management because of the numerous effects the cash control practices have on the financial performance of a business. A business can run smoothly only in the presence of adequate working capital (Hussaini, Jamila, Idris & Ibrahim, 2016).

Apart from the issues raised above, a review of literature on this study’s area such as Dumitrascu and Savulescu (2012); Ali and Haat (2012); Dineshkumar and Kogulacumar (2013); Gyekye and Oseifuah (2013); Cheruiyot (2014); Weili, Zining, Qiliang. and McVay (2014); Oguda, Odhiambo and Byaruhanga (2015); Eniola and Akinselure (2016)
among others have used general internal control systems (ICSs) model against the variables like fraud detection and prevention, safeguarding inventory and corporate corruption instead of using cash control practices (CCPs) against the financial performance (FPs). Also, most of the reviewed related studied like Dropkin and Hayden (2001); Charitou, Elfani and Lois (2010); Lumumba, Nyabwanga, Odondo, Otieno and Ojera (2012); Dumitrascu and Savulescu (2012); Gyebi and Quain (2013); Olutunji (2013); Han (2014) Cheruiyot (2014); Janaki (2016); Kinyanjui, Kiragu and Kamau (2017); Murkor, Muturi and Oluoch (2018); Aminatu and Liman (2018); Eton1, Uwonda, Mwosi, Patrick, Ogwel, Obote. (2019) and a host of others that have employed CCPs models like management of working capital, cash flow management, cash management and cash control against the FPs were not conducted in Nigeria. More so, the review studies conducted in Nigeria on this area like Abioro (2013); Akinruwa, Awolusi, and Ibojo. (2013); Franks and James (2014); Eniola and Akinselure (2016) and Aminatu and Liman (2018) have not use the models of cash control practices against the financial performances while, some of these studies in Nigeria have concentrated on the other industries like food and beverages companies, Small and Medium Enterprises, general manufacturing firms apart from plastics and energy industries. This means nobody has ever conducted a research to investigate CCPs impact on the FPs of the selected plastics and energy firms (PEFs) in Nigeria, hence this study. It is against the bedrock of these gaps that this study is examining cash control practices impact on the financial performances of some selected Nigerian plastics and energy firms. Specifically, this study:

a. investigated the working capital management impact on the profit margin of some selected Nigerian PEFs.

b. analyze the free cash flow management impact on the profit margin of some selected Nigerian PEFs.

c. assess the excess cash investment impact on the profit margin of some selected Nigerian PEFs.

However, this study is significant as the outcomes from it would gear up the business owners on the need to install practical and effective cash control procedures that would reduce cash mismanagement and improve liquidity position in a way to enhance their businesses financial performances. Furthermore, findings from this study would serve as a valuable research data for future research in this study area.
1.1 Conceptual Review

1.1.1 Financial Performance

The term “financial performance” is used as a general measure of a firm’s overall financial health over a given period. Financial performance (FP) is an indication of how a business can utilize its current assets from the firm’s main business operations to generate revenues (Byaruhanga & Odhiambo, 2014). FP is the outcome of many different activities undertaken by an organization (Han, 2014). Business FP is the ability of a firm to make good use of its resources in an effective and efficient manner for the achievement of their set goals and objectives (Akinselure & Eniola, 2016). Financial performance measurements of companies are essential for accountability and strategic planning (Frank & James, 2014). FP is a measure of how the business utilized its resources to generate revenues (Alfred, 2007). Firms’ financial performances can be measured in term of profitability (Akinruwa et al., 2013). Janaki (2016) claimed that the level of success of a firm is measured through its financial performance based on a selected period of time. The profit margin (PM) is part of the best methods used to measure profitability (Liman et al., 2018). However this study used profit margin as a proxy for financial performance.

1.1.2 Cash Control Practices

Failure to institute proper cash control practices (CCPs) can lead to loss of assets including cash in the plastics and energy firms (PEFs). CCPs is an aspect of control activities of international control practices (Badara et al., 2013). CCP is an integral part of internal control systems (ICSs) in an organization. The weakness of internal control procedures will have negative effect on the cash movement, profitability and business going concern (Fatoki, 2014). An entity can generate more profits, if it has an effective internal control Gyebi et al. (2013). With proper ICSs an entity may be in position to comply with laws and regulations in a smooth way as compared to an entity that does not have a proper system of internal control Gyebi et al. (2013). Compliance with relevant statutory and regulatory requirements will reduce business risks and financial losses, and consequently improve PFs Gyebi et al. (2013). Businesses are always vulnerable to many risks if they lack adequate internal controls (Fatoki, 2014). The risks that may be caused by improper records of accounting transactions and making unauthorized cash transactions may significantly affect the entity’s financial performance (Fatoki, 2014). In cash control practices,
separation of tasks of cash payments and accounts reconciliation should be done by the staff that has no responsibilities pertaining to cash approval and who is not a the signatory to the banks accounts (Kinyanjui et al., 2017). Handling of tasks by different individuals as a control mechanism is essential for business survival (Etuk & Baghebo, 2014). The internal control activities over cash include establishment of cash unit; provision of safe under dual control; operation of impress system; surprise cash counting; daily banking of all takings; adequate insurance coverage; installation of raid alarm and accounts reconciliation (Janaki, 2016). The practice of strong and effective cash control activities for a business is crucial for its sound management (Janaki, 2016). The cash control activities of plastics and energy companies should involve but not limited to the practices of managing working capital, free cash flow and investing excess cash in profitable investments. This study therefore used working capital management (WCM), free cash flow management (FCFM) and excess cash investment (ECI) as proxies for cash control practices.

1.1.3 Hypothesis Development

Working capital is the excess of current assets over current liabilities. WCM represents the relationship between a firm short term assets and its short term liabilities. A firm’s sound policy of managing and controlling cash is that which manages working capital in the form of cash receivables from customers, inventory holding and cash payments to suppliers widely linked to the improvement of firms’ financial performance (Franks & James 2014). WCM is a business strategy designed to ensure that a company operates efficiently by monitoring and using current assets and liabilities to the best effect. WCM requires application of relevant ratios like current ratio, acid-test ration and working capital ratio to interpret and determine the cash position of a business. Current ratio is the ratio of current assets to the current liabilities within one year of the firm’s operations (Bhumia & Brahuma, 2011)). The current assets are the money and other assets that are readily convertible into cash while current liabilities include all types of liabilities that are meant for payment within a period of one year such as bank overdraft and the like, (Eljelly, 2004). According to Eljelly (2004), cash itself is, by definition, the most liquid form of assets; other assets having varying degree of liquidity depending on their convertibility into cash. However, the goal of WCM is to ensure that a company can afford it day to day operating expense while, at the same time, investing the company’s assets in the most productive way. This study therefore hypothesized that:
1. H$_0$: Working capital management has no impact on financial performances of Nigerian PEFs.

Free cash flow (FCF) measure a company’s financial performance. Dropkin and Hayden (2001) explained that cash flow management is the process of controlling, analyzing, and adjusting the firm’s cash flow. Cash flow is a financial tool used to gauge a firm’s financial performance (Frank et al., 2014). Cash flow shows the firms available cash after taking into consideration how much has been spent on development and on recurrent expenditure (Frank et al., 2014). Managing cash flows is important to the operations of any organization as the retaining of liquid cash will enable the organization to finance its immediate financial obligations (Chartered Institute of Management Accountants (CIMA), 2010). It can however be concluded that managing cash flow is significant to every business entity and its implementation should be emphasized by all the managers of businesses in running their companies. This study therefore hypothesized that:

2. H$_0$: Free cash flow management has no impact on financial performances of Nigerian PEFs.

More so, investment helps money build-up when the stock market is volatile. The main objectives of investing temporary cash excess are to avoid cash illiquidity, achieve higher profitability and ensure firm’s survival. Pandey (2004) observed that companies may possess surplus or idle fund that is not immediately needed. The temporary cash surplus may either be invested in a financial instrument or returned to shareholders when no profitable investment opportunities exist (Pandey, 2004). Alternatively, the perceived surplus cash could be held to meet regular cash needs and future contingencies (Pandey, 2004). However, Pandey (2004) advised that such surplus money should be temporarily invested in short-term marketable securities. After achieving the optimal cash, a business can invest the surplus to earn a return and should not be left idle (Pandey, 2004). Emphatically, once a firm’s need to hold cash is reduced, the available funds should be invested in short-term investment securities (Berks & Demarzo, 2011). This study therefore hypothesized that:

3. H$_0$: Excess cash investment has no impact on financial performances of Nigerian PEFs.
1.2 Theoretical Review

1.2.1 Theory of Liquidity Preference

The theory of Liquidity Preference (TLP) was postulated by Keynes in 1936. The theory explained the purpose of supplying and demanding for money (Janaki, 2016). The theory noted that demanding for money takes three forms which are transactional, precautionary and speculative motives (Janaki, 2016). Charitou, Elfani and Lois (2010) elaborated that incurring of cash transactions requires demand for money as a mean of exchanges for immediate monetary transactions of individual and businesses (Charitou et al., 2010). Precautionary purpose of keeping cash is to have cash available to meet unforeseen circumstances (Charitou et al., 2010). Individual people result to cash holding to cater for unexpected financial matters like accidents (Charitou et al., 2010). Speculative reason of saving money is for the individual or organization to take the advantages of investment opportunities Charitou et al., 2010). In strategic financial management, this theory is used to determine the optimal cash balance of any firm (Charitou et al., 2010). However, any organization that uses money available for speculative motive for transactional motives may fail to have optimal cash balance during an unexpected unstable economy (Charitou et al., 2010). The TLP emphasized the need for all businesses to maintain adequate liquidity positions as a cash control mechanism in order to make cash available for urgent needs. Therefore the TLP is relevant to this study.

1.2.2 System Theory

The system theory (ST) was propounded by Kaufmann in 1966 as in Amagoh (2008) was also used to explain cash control practices (CCPs) as a system of internal control. A system consists of other sub-systems which their integration and interdependence move toward an equilibrium point within a larger system (Ayagre, Ishmael & Nartey, 2014). ST stated that organizational development is a vibrant and continuous control system and process (Amagoh, 2008). The ST offered powerful tools to analyze internal control systems (ICSs) because the effectiveness of ICSs as an integrated system with interrelated components, supporting principles and procedures can also improve financial performance of a firm (Amagoh, 2008). The ICSs covered all relevant areas of an entity and help in creating properly organized and controlled practices and procedures of a control system (Cheruiyot, 2014) Based on the this theory, it is clear that CCPs is a form of ICSs in every human
organizations. The company financial performance can be affected by establishing or non-establishing the adequate CCPs in a business organization. Thus, system theory is also relevant to this study.

1.3 Empirical Review

Murkor et al. (2018) investigated the “effects of operating cash flow management on financial performance of mutual funds in Kenya”. The study’s results disclosed that “operating cash flow” management had significant positive effect on return on assets and insignificant positive effect on return on equity”. Also, Gyekye and Oseifuah (2013) examined ”the effectiveness of internal controls in SMEs in South Africa and primary data was used. The study employed Chi-square method to analyze the data collected. Findings from the study showed that “only forty five percent of the firms surveyed have adequate internal controls procedures in place”. The study discovered that “the internal control practices among small and medium enterprises were too low”. More so, Eton1 et al. (2019) conducted a research on ‘cash management and financial performance of business firms in Northern Uganda: a Case of Lira District’. The study used secondary data. Finding from the study revealed that “cash management couldn’t sustain financial performance with time due to incompetence in cash forecasting”. The study recommended that “business associations in Uganda should provide training on cash management to entrepreneurs as a support to develop cash management ability for their businesses”.

2. Research Methodology

This study collected panel secondary data and adopted a case study research design to elicit information on the net income or sales, profits, working capital, cash and cash equivalent and short-term investments from 2019 annual accounts and reports of the selected firms for the computation of relevant ratios. This study’s population is made of the entire plastics and energy firms in Nigeria. This study sampled only eight of the PEFs that met the criteria of selection from the total numbers of the PEFs in Nigeria. These criterions include the availability of 2019 annual reports that presented and disclosed the elements of financial statements that can facilitate the computation of the required rations in line with the objective framework of this research work. Others PEFs that failed to meet up with the set criterions and requirements were expunged from selection. The selected PEFs are Dana Incorporated, Meyers Industries international, SAIPEM, Olympic Steel plc, Nigerian Enemmel Ware plc,
Chevron Human Energy Company Eni plc, and Sterling Energy plc. The choice of PECs is to extend the studies of CCPs on FPs to the plastic and energy industries. The non-parametric test and the multiple regression models like model summary and correlation analysis were used to analyze the data gathered at 5% significant level using Statistical Package for Social Sciences (SPSS) version 20 for the analysis. The use regression models is considered to be appropriate for the analysis as it will enhance the objective of determining the relationship or otherwise that may exist between the dependent and independent variables as to confirm the impact of CCPs on the FPs. The non-parametric test is also appropriate for testing null hypotheses. This study therefore expressed dependent variable of financial performances (FPs) as a function of the independent variable of cash control practices (CCPs). FPs was measured in term of gross profit to net income/sales (GPNI), while CCPs was measured in terms of working capital to net income/sales (WCNI); cash and cash equivalent to net income/sales (CCENI) and short term investment to net income/sales (FSTINI) as showed in table 1.

2.1 Model Specification and Variables Identification

This study used linear regression model adopted by Jokipii (2010). The dependent variable from the study is Y while the explanatory independent variables include (X1μ1), (X2μ2), (X3μ3), (X4μ4), (X2μ5), constant (μ0) and ε error term. The model is specified below:

\[ Y = f (X1, X2, X3, X4, X5) \]

\[ Y = f(\mu_0 + \mu_1 X1 + \mu_2 X2 + \mu_3 X3 + \mu_4 X4 + \mu_5 X5 + \varepsilon) \]

where: \( \mu_0 \) is constants, \( \varepsilon \) is the error term,

- y performance of SMEs, \( X1\mu_1 \) = environment control, \( X1\mu_2 \)
- = assessment of risk, \( X1\mu_3 \) = control activities, \( X1\mu_4 \)
- = communication and information, \( X1\mu_5 \)
- = monitoring measured and \( \mu_1 - \mu_5 \) are parameters/coefficients.

The model was modified for this study as follow: The dependent variable includes FPs measured GPNI as a function of the three explanatory independent variables of WCNI, CCENI and STINI, the proxies for cash control practices (CCPs) to form the study’s objectives and hypotheses. The model is specified below:
GPNI = \( f(\text{WCNI}, \text{CCENI}, \text{STINI}) \) ...

\[ GPNI = f\left(\mu_0 + \mu_1 \text{WCNI} + \mu_2 \text{CCENI} + \mu_3 \text{STINI} + \varepsilon\right) \]

where: \( \mu_0 \) is a constant, \( \varepsilon \) is the error term, \( \text{GPNI} = \text{gross profit to net income/sales} \),
\( \text{WCNI} = \text{working capital to net income} \),
\( \text{CCENI} = \text{cash and cash equivalent to net income} \),
\( \text{STINI} = \text{short-term investment to net income} \) and \( \mu_1 - \mu_3 \) are coefficients.

### Table 1: Variables Identification and Measurements

<table>
<thead>
<tr>
<th>Variables Identification</th>
<th>Variables Proxies</th>
<th>Measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital management</td>
<td>Working capital ratio</td>
<td>Working capital x 100 Net income/sales (WCNI)</td>
</tr>
<tr>
<td>Free cash flow management</td>
<td>Cash &amp; cash equivalent</td>
<td>Cash &amp; cash equivalent x 100 Net income/sales (CCENI)</td>
</tr>
<tr>
<td>Excess cash investment</td>
<td>Short-term investments</td>
<td>Short-term investment x 100 Net income/sales (STINI)</td>
</tr>
<tr>
<td>Dependent Variable</td>
<td></td>
<td>Measurement</td>
</tr>
<tr>
<td>Financial performances</td>
<td>Profits margin</td>
<td>Gross Profit x100 Net income/sales (GPNI)</td>
</tr>
</tbody>
</table>

**Source:** Author’s Compilation (2020)

Table 1 shows the identification and the measurements of dependent and independent variables of this research work.

### 2.2 A Priori Expectation

There expected positive effects of CCPs on the FPs of Nigerian PEFs. His is symbolical showed below:

\( \mu_1, \mu_2 > 0 \)

### 3. Empirical Results

This section analyzed panel data gathered and discussed the empirical funding obtained from the tested three hypotheses through the statistical tools like multiple regression models comprising models summary and regression coefficient.
3.1 Regression Statistics

Table 2: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.663a</td>
<td>0.440</td>
<td>0.020</td>
<td>0.11478</td>
</tr>
</tbody>
</table>

Sources: Author’s Computation (2020)

a. Predictors: (Constant), Short-term Investment to Net Income/sales, Working Capital to Net Income/sales, Cash & Cash Equivalent to Net Income/sales.

Table 2 showed the result of regression model where $R^2 = 0.440$ indicating strong effects of CCPs on the FPs of Nigerian PEFs.

Table 3: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.178</td>
<td>0.070</td>
<td>2.546</td>
<td>0.064</td>
<td></td>
</tr>
<tr>
<td>Working Capital to Net Income/sales</td>
<td>-0.073</td>
<td>0.095</td>
<td>-18.759</td>
<td>-0.774</td>
<td>0.482</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalent to Net Income/sales</td>
<td>-0.072</td>
<td>0.095</td>
<td>-18.422</td>
<td>-0.760</td>
<td>0.490</td>
</tr>
<tr>
<td>Short-term Investment to Net Income/sales</td>
<td>-0.041</td>
<td>0.038</td>
<td>-0.435</td>
<td>-1.087</td>
<td>0.338</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Net Income/sales

Sources: Author’s Computation (2020)

The result of correlation ($r$) = 0.663 (66.3%) in table 3 indicated a strong effect between CCPs and the FPs of the selected Nigerian PEFs.

3.2 Nonparametric Tests

Table 4: Hypotheses Summary

<table>
<thead>
<tr>
<th>Null hypotheses</th>
<th>Test</th>
<th>Sig.</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The categories of net income/sale occurred with equal probability</td>
<td>One sample chi-square test</td>
<td>1.000</td>
<td>Retained the null hypothesis</td>
</tr>
<tr>
<td>2 The distribution of working capital management to net income/sale is normal with mean 10.47 and standard deviation 29.71</td>
<td>One sample chi-square test</td>
<td>0.031</td>
<td>Reject the null hypothesis</td>
</tr>
<tr>
<td>3 The distribution of cash and cash equivalent</td>
<td>One sample test</td>
<td>0.035</td>
<td>Reject the null hypothesis</td>
</tr>
</tbody>
</table>
to net income/sale is normal with mean -9.81 and standard deviation 29.57

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Test Type</th>
<th>Pearson Coefficient</th>
<th>Sig. (2-tailed)</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>chi-square test</td>
<td>0.036</td>
<td>Reject the null hypothesis</td>
<td></td>
</tr>
</tbody>
</table>

The distribution of short term investment to net income/sale is normal with mean 0.45 and standard deviation 1.23

Sources: Author’s Computation (2020)

The non-parametric tests of the three hypotheses from number 2 to 4 in table 4 with their corresponding means and standard deviations showed the rejection of all the hypotheses. That means CCPs have positive effects on the FPs of Nigerian PEFs.

3.3 Discussion of Findings

The empirical results in tables 2 and 4 showed a total rejection of the three test hypotheses as the result of correlation (r) = 0.663 (66.3%) in table 2 indicated that there are effects of cash control practices (CCPs) on the financial performances (FPs) of the selected Nigerian plastics and energy firms (PECs) under investigation. The adjusted R Square of 0.440 implied that about 44% of the variation in PEFs could be explained by CCPs and the remaining 56% of FPs is decided by other factors outside this study. By interpretation, any weak in cash control will reduce the financial performances of the companies. Therefore the null hypotheses 1, 2, and 3 were rejected and the alternative one accepted. Thus, CCPs have significant effects on FPs of Nigerian PEFs. Also, regression coefficient results in table 3 showed a regression line of FPs = 0.178 - 0.073 μ1 - 0.072 μ2 + - 0.041 μ3 + ε indicating that a single increase in the CCPs will lead to the improvement in the FPs of Nigerian PEFs. This study’s results agreed with that of the study conducted by Eniola et al. (2016) among others where there-in concluded that the existence of system of internal control would positively influences the financial performances a business. The theory of liquidity preference (TLP) postulated by Keynes in 1936 confirmed the results of this study and established by the fact that demanding for money takes three dimensions namely transactional, precautionary and speculative motives. The theory agreed that the precautionary purpose of saving cash is to have cash available to meet unforeseen contingencies. All the results above for this study revealed positive effects of CCPs on the FPs of Nigerian PECs. Thus hypotheses 1, 2 and 3 were rejected. Thus:

a. Working capital management has effect on the profit margin of Nigerian plastic and energy firms
b. Free cash flow has effect on the profit margin of Nigerian plastic and energy firms
c. Excess cash investment has effect on the profit margin of Nigerian plastic and energy firms

Therefore, cash control practices have positive significant effects on the financial performances of Nigerian plastics and energy firms.

4. Conclusion and Recommendation

Cash control practices may not turn around with time due to control inabilities of many companies as discovered from the findings of this study. Obviously, this study results indicated that CCPs have significant and effects on the FPs improvement of PEFs in Nigeria. The results of study agreed with the results of the study conducted by Murkor et al. (2018) where there-in found that the operating cash flow management had significant and positive effect on the return on assets of the company. Therefore, the owners of PEFs are advised to implement adequate CCPs that can end up cash mismanagement in order to improve their businesses FPs. But unfortunately, most of the managements and the owners of business organizations are incompetent in designing the appropriate cash control practices and failed to properly manage the working capital making things difficult for their companies to match short term debts payments periods against the periods of making cash available leading to their inability to build a sustainable free cash flows. However, as companies keep on developing from small enterprises to medium size, it is necessary to install proper cash control practices becomes inevitable. Eventually, this study is limited to plastics and energy industries and was conducted in Nigeria. Future researchers on this area should therefore cover other industries apart from PEFs and broaden their research coverage to other country instead of Nigeria alone. The outcome of this study would gear up the business owners to install adequate and appropriate cash control procedures and practices to resolve cash mismanagement and liquidity problems in their businesses. Furthermore, findings from this study would serve as a valuable research data for future research in this study area.

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