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Cash Holding and Financial Performance of Listed Natural Resources Firms in Nigeria

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ABSTRACT
This study empirically investigated the effect of cash holding on financial performance of quoted natural resources firms in Nigeria. The study is vital as it portrays the extent to which cash holding influences firm financial performance in Nigeria. In order to determine the relationship between cash holding and financial performance, financial performance key proxy variables were used in the study, namely; net assets per share and market share price while cash holding on the other hand was represented by the ratio of cash and cash equivalent to total assets. Four hypotheses were formulated to guide the investigation and the statistical test of parameter estimates was conducted using panel least squares regression model. Ex Post Facto design was adopted and data for the study were obtained from the Nigerian Exchange Group Factbook and published annual financial reports of listed natural resources firms on Nigerian Exchange Group (NGX) spanning from 2016-2024. The results of the study show that cash holding has positive and significant effect on firm performance proxy as net assets per share and market price per share at 1% significant level respectively. Thus, the study concludes that cash holding determines the financial performance of natural resources firms in Nigeria. The study therefore recommends above all that managers should consider the financial condition of a firm when determining the optimum cash holdings due to the different effects since optimum cash holdings ensure firm net assets value. Also, managers should determine the optimum cash holdings to avoid the negative effect on firm market price per share such as tax disadvantage or the opportunity cost.
Keywords: Cash Holding, Financial Performance, Net Assets per Share, Market Share Price.

1.0 INTRODUCTION

Empirical evidence on the determinants and effect of corporate cash holdings have occupied a central place in corporate finance literature and have been a bone of contention amongst researchers which calls for further expansion and clarity. From the literature, it was noted that most studies on corporate cash holding concentrated on developed countries such as England, USA or Europe while the studies in emerging countries like Nigeria are still very limited.

In the context of Nigeria, it was reported that the ratio of cash holding by Nigerian firms has been increasing, typically firms such as natural resources companies (Osaze, 2023). This is a leading firm in key sectors of Nigeria's economy as it drives economic growth and supports economic activities. Hence, the question on why natural resources firms hold such a large amount of cash and how high cash holding affects the performance of natural resources companies in Nigeria is yet to be answered.

Also, research on corporate cash holding generally excluded natural resources firms as the cash holding for this company is not entirely a management decision as observed in the previous studies of Duru, Okpe

and Agodosi (2019), Okafor (2021), Zariyawati and Diana (2022), Raimi and Samaila (2022) et cetera. None of the previous studies examined the effect of cash holding on financial performance of firms in Nigeria using quoted natural resources firms as a reference point to the best of our knowledge. Against this backdrop, the present study seeks to examine if excessive cash holding could influence the financial performance of quoted natural resources companies in Nigeria.

It was also noted from the a priori expectations, that previous studies carried out in both developed and developing nations; (Luluk, Maya & Rustam, 2020; Thu-Trang, 2020; Constantine, 2022; Zariyawati & Diana, 2022; Irawan, Widiyanti, Fuadah, & Adam, 2022; Berto & Ninditya, 2022; Ozordi, Adetula, Eluyela,Aina & Ogabi, 2022; Wildan, Yosi & Fifi, 2023; Geoffrey, Mirie, Erasmus & Duncan, 2023 etc) primarily focused on the determinants of corporate cash holding while others emphasized on the effect of cash holding on financial performance using either accounting based measurement for performance which could not provide a well-rounded perspective to corporate performance. No emphasis to the best of our knowledge has been given to market based measurement in assessing the effects of cash holding in developing nations.

Sequel to this, the present study adapted and modified the model of Ifada, Indriastuti and Hanafi (2020) into 2 models (using market based measure as a dependent variable) in order to determine the real effect of cash holding on firm performance in Nigeria using listed quoted natural resources firms on the Nigerian Exchange Group (NGX) as reference point.

To achieve this purpose, the following hypotheses were formulated:

H_{01}: Cash holding does not have significant effect on net assets per share of quoted natural resources firms in Nigeria

H_{02}: Cash holding does not have significant effect on market price per share of quoted natural resources firms in Nigeria

2.0 Review of Related Literature

2.1.1 Cash Holding

Cash is the most liquid cash asset owned by the company. Cash held by companies that can be used to finance company investments or distributed to shareholders is called cash holding (Gill & Shah, 2022). Companies need to maintain cash-holding stability to maintain company liquidity (Ross, Westerfield & Jordan, 2023). Cash holding is also an indicator of a company's ability to pay off short-term debt (Ross, Westerfield & Jordan, 2023). According to Umry and Diantimala (2023), there are many motives for companies to hold cash. It includes, the transaction motive in which cash is held to meet short-term cash inflows and cash outflows such as meeting daily and investment needs. The second motive is the precautionary motive which reflects the idea of holding cash to pay future obligations which currently cannot be predicted by the company.

Gill and Shah (2022) view cash holding as cash in hand or readily available for investment in physical assets and for distribution to investors. Cash holding is important because it provides firms with liquidity, enabling them to pay their obligations on time even in bad times. Besides that, firms need to build up their cash holding to grow their sales and profits and also ensure the cash movement timing creates an overall positive cash flow situation. Cash holdings are an essential part of the firm's growth and survival. It receives a significant amount of consideration from investors and financial analysts. Cash holdings also minimize the firm's cash flow fluctuations and it is less pricey to turn excess cash into private benefits. Firms will hold the cash to reduce transaction costs and to avoid underinvestment due to funds.

According to Ugwu (2020), cash holding is seen as cash or cash equivalent that can be easily converted into cash. Further, cash holding will include cash in hand and bank, short-term investment in money market instrument such as treasury bills. But, Afza and Adnan (2022) is of the opinion that if there were perfect capital markets, firms would not feel the need to hold liquid assets, but they would be easily able to raise external capital. Even though, this may not be obtained practically in real business world, it is therefore assumed that financial frictions are responsible for causing such ambiguous predictions with respect to holding cash.

2.1.2 Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Okeke, 2021).

According to Erikie and Osagie (2022), corporate financial performance is the measuring of results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, value added, return on equity, return on networth, return on total assets and return on capital employed. There are many different ways to measure financial performance, but all measures are taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into the financial statements and seek out margin growth rates or any declining debt (Omaliko & Akpukpu, 2025).

Frich (2023) argues that performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance.

According to Chandra (2022), one of the best ways of evaluating a sector financial performance is by the use of financial or ratio analysis. It shows the relation between one quantity or performance indicators over another, expressed mathematically and tries to summarize huge database for one eye view regarding the financial performance of a firm.

2.1.2.1 Determinants of Financial Performance.

For the purpose of this study, two market based measurement (NAPS & MPS) were used. i.e. Net Assets Per Share (NAPS) and Market Price Per Share (MPS) was used to measure financial performance in line with the a priori expectations. This was discussed below as thus:

2.1.2.1.1. Net Assets Per Share (NAPS)

Net assets per share is a yardstick for measuring the performance of companies, especially property and investment companies. Net assets per share is usually calculated by dividing net assets (that is, total assets less total liabilities) by the number of equity shares in issue excluding any shares held in treasury (Febria, 2021). An increase in net assets per share, for example, by means of a share buyback, may lead to an increase in the market value of a company's shares.

According to Ajao and Fatogun (2023), net assets per share is the value of an entity's assets minus its liabilities divided by outstanding shares. This represents the total value of an entity. As noted by Parvis, Bahloul and Javad (2022), common funds or investment companies in the net asset value is equal to the total value of investments minus debt. The net assets value is defined as a company's net asset value and in terms of accounting, it is easy to detect. Total assets a company are equals the total liabilities and salaries of the shareholders. In other words, in terms of accounting, salaries of the shareholders are equal to the difference between assets and liabilities of the company. So in terms of accounting, net assets value of a company is equal to the equity of the company though the figure may not provide accurate reflection of the net value of assets due to some limitations of the statement of financial position's dates.

In the financial position statement, values of assets are reported to date each of the items or event occurred with some headings, such as investments and fixed assets. In some cases, the difference between historical cost and current values are very high that cause to great harm to the usefulness of the information assets on the statement of financial position. In the contrary column, all the liabilities are reflected by market daily value. The origin of this information related to the balance sheet in accounting principles. These factors causes to change method of calculation of net asset value and result may not be equal to the figure for equity. Thus, in order to calculate the exact value of net assets it is needed to discover the market value of these investments companies (Muhammad & Mohammad, 2022).

This is expressed mathematically as

$$NAPS = \frac{\text{Net Assets}}{\text{Paid up Capital}}$$

2.1.2.1.2. Market Price Per Share (MPS)

The market price per share of stock, or the share price is the most recent price that a stock has traded for. It's a function of market forces, occurring when the price a buyer is willing to pay for a stock meets the price a seller is willing to accept for a stock (Ajao & Fatogun (2023).

Stock prices are one of the most important factors that influence investors' investment decisions (Hemadivya & Devi, 2023). Thus, analysts place much emphasis on research on the stock market, especially stock price predictions. Changes in stock prices occur because of market forces, namely the purchase and sale of shares available on the market. Stock market prices depend on the demand and supply of shares in the market, which in turn depends on the financial performance of a particular company. In general, securities prices reflect company performance. Both economic and non-economic factors always influence the behavior of stock prices.

The concept of share price originated from Random Walk theory in the work of Porterba and Summer (2010). There is evidence suggesting that stock prices do follow a random walk. It was indicated that there are reasons that the random walk behavior of stock prices should hold. Findings by Ajao and Fatogun (2023) support that stock prices are very much uncertain and this may not be true because firms' fundamentals may to a great extent influence stock prices. Stock prices could be determined by micro and macro-economic factors. These factors according to the study include book value of the firm, dividend per share, EPS, price-earnings ratio and dividend cover.

2.2 Theoretical Framework

2.2.1 Trade-Off Theory

The Trade-Off Theory was propounded by Miller and Modigliani in the year 1958. Like debt, cash holding generates costs and benefits; and it is very important in financing the growth opportunities of the firm. The principal benefit of holding cash is that it constitutes a safety buffer (Levasseur, 1979 as cited in Banafa, Muturi, & Ngugi, 2021) which allows firms to avoid the costs of raising external funds or liquidating existing assets and also allow firms to finance their growth opportunities. However, since firms operate in an imperfect market, they either have difficulty accessing the capital markets or bear a very important external financing cost. Moreover, the principal characteristic of their environment is uncertainty. According to Martinez-Solano et al (2013), Mordi and Omaliko (2019), optimal cash holding brings more profit due to the fact that the firms can take an advantages of investment opportunities for the corporations. Equally, cash holding has a strong effect on corporate performance and the corporate performance reduces when the level of cash exceed the optimal level.

Thus, insufficient amount of cash forces firms to forgo profitable investment projects or to support abnormally high costs of financing. Two principal costs are associated to cash holdings. These costs depend on whether managers maximize shareholders' wealth or not. If managers' decisions are in line with shareholders' interests, the only cost of cash holdings is its lower return relative to other investments of the same risk. If managers don't maximize shareholders' wealth, they increase their cash holdings to increase assets under their control and so to be able to increase their managerial discretion. Thus, excess cash to increase assets and competitive advantage as demonstrated by Trade-Off Theory (Jensen, 1986). In this case, the cost of cash holdings will increase and include the agency cost of managerial discretion.

Thus, the study was anchored on Trade-Off Theory. The justification for using this theory to underpin the study stem from the fact that literature review has demonstrated the existence of relationship between the cash holding and firm financial performance.

2.3 Empirical Review

Ferreira and Vilela (2024) investigated the causes of variations in firm cash holdings and its effect on corporate performance. Data used was accessed from financial records of the selected firms from Economic and Monetary Union States for thirteen years (2011- 2023). Using regression model, the results

depicted that cash holding has positive and significant effect on corporate performance. The study therefore concludes that cash holding ensure corporate performance.

Similarly, Abushammala and Sulaiman (2023) examined whether cash holdings influenced firm performance using profitability aspect. A sample of 65 firms listed at the Amman stock exchange and which were non-financial based were selected for the study for a timeframe of twelve years from 2011 to 2022. Simple regression models were used for data analysis. It was established that there was statistically positive significant influence of cash holdings on profitability of the firms. It was shown that progressive financial performance of a firm is connected to maintenance of cash balances by the management. This positive relationship was supported by Jordanian firm management who believed that lack of effective liquidity management causes cash shortages and this would lead to difficulties in paying obligations as and when they fall due, which negatively affect firm profitability.

Muhammad (2023) assessed the effect of some firm specific factors on cash holdings of a sample of fifty (50) non-financial firms quoted on the Karachi Stock Exchange. The study made use of the Generalized Method of Moments (GMM) on a set of panel data. The period of the study spanned eleven (11) years (2012-2022). The independent variables entered in the dynamic model consist of leverage, return on assets, inventory asset ratio, market-to-book ratio, firm size, networking capital, investment, accounts payable, accounts receivable, bank relationships and foreign direct investment (FDI). The study acquiesced to the existence of significant positive impact of accounts receivable, investment expenditure and leverage on cash positions of the sampled fifty firms. On the other hand, significant negative associations exit between the dependent variable and the predictor variables (firm size, return on assets, net working capital and bank relationship).

Wildan, Yossi and Fifi (2023) examined the impact of firm financial performance, free cash flow, and cash holding on the overinvestment of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021. Multiple regression model was employed and the results of the study show that free cash flow has a significant and negative effect on overinvestment. It illustrates that higher free cash flow does not encourage a manager to overinvestment.

Mohsin, Shujahat and Ghulam (2023) investigated the determinants of corporate cash holdings. Cash flows, leverage, liquidity, cash flows volatility, profitability, growth opportunities, firm size, debt maturity, and dividend represent the independent variables in the research study. It is based on a panel data of 150 Pakistani non-financial listed firms on KSE during the period 2014-2022. Panel regression analysis has been conducted to determine the major factors affecting cash holdings. The results imply that growth opportunity, company size, cash flows, and profitability of the firms exert a positive effect while leverage and liquidity show a significant negative impact on corporate cash holding.

Chude and Chude (2023) examined influenced cash holdings in Nigeria's publicly traded agriculture companies. The purpose of the study is to identify any connections, if any, between growth opportunities, leverage, cash flow, and cash holdings (represented by cash and cash equivalents) of agricultural companies listed on the Nigerian Stock Exchange's floor. An ex-post facto research design was used in the study. Secondary data were gathered from the yearly financial statements of the sampled companies for the study period and publications of the Nigerian Stock Exchange. E-view 9.0 statistical software was used to perform inferential statistics on the hypotheses using the Pearson coefficient of correlation, the multi-collinearity test, and the ordinary least square (OLS) regression analysis. The results showed that growth opportunities and cash flow exhibited a significant positive relationship with cash and cash equivalents, while leverage exhibited a significant negative relationship with cash and cash equivalents at the 5% significance level, respectively. It was recommended, among others, that manufacturing firms in Nigeria should identify and monitor key business drivers (for example, growth opportunities, leverage, and cash flow) since they significantly influence cash holdings.

Nirosha, Anura and Shiguang (2023) examined the effects of audit quality and firm growth on the relationship between corporate cash holdings and firm performance by using a sample of some selected non-financial Indian firms from 2004 to 2021 period. The results obtained by controlling for potential endogeneity using the dynamic panel Generalised method of moment (GMM) approach show that cash

holdings have an inverse U-shaped (concave) relationship with firm performance, which is stronger for firms with higher audit quality than firms with lower audit quality. Our findings also show that firm growth affects the cash holdings and firm performance relationship and the moderating effect of audit quality. Our study highlights the need for corporate managers to consider firm performance, audit quality and firm growth levels in policy decisions on cash holdings.

Velnampy and Kajanathan (2023) examined the influence of cash position on profitability of telecommunication firms quoted on the Colombo Stock Exchange for a period of seven years (2016-2022). The study investigated the determinants of cash holdings and financial performance in both Sri Lanka Telecom Plc. and Dialog Telecom Plc. The telecommunication sector of the stock exchange is made up of only these two firms. Financial performance for the two firms was proxied by both return on assets and return on equity. The predictor variables for measuring cash position are made up of cash and cash equivalents to turnover (CCETR), cash and cash equivalents to total assets (CCETAR) and cash and cash equivalents to current liabilities (CCECLR). Data analyses were carried out using multiple correlations and regressions and tests of hypotheses (otherwise, inference) necessitated the use of analyses of variance (ANOVA). The results are inconclusive given the non-existence of any significant associations between the predictors and the dependent variables with respect to Dialog Telecom Plc. Further, measures of central tendencies and dispersion showed no significant deviations in the levels of cash and liquid substitutes of these firms. Employing same multiple correlations and regressions with respect to Sri Lanka Telecom Plc depicted significant relationships between these variables.

Geoffrey, Mirie, Erasmus and Duncan (2023) evaluated the effect of cash holdings on the relationship between financial performance and dividend policy. The study applied positivism research philosophy and descriptive causal research design. The study was anchored on hypothetical view that the relationship between financial performance and dividend policy of firms listed at the Nairobi securities exchange is not intervened by cash holdings which was tested against a sample size of 31 firms listed at the Nairobi securities exchange selected using purposive sampling technique. The research findings using regression model were as follows: there was a significant direct association between operating cash flows and dividend policy which was intervened by cash holdings. In general it was concluded that the link between financial performance and dividend policy of firms listed at the Nairobi securities exchange was significant.

3.0 METHODOLOGY

An *ex post facto* design was used in the study based on the fact that the data for the study was secondary which already existed and cannot be controlled. The population of the study consists of all the 4 listed natural resources firms on the Nigerian Exchange Group (NGX) as at December 31, 2023, covering the period 2016-2024. Thus, the study used the entire population of the study. On this basis, a total of 4 firms made up our sample size. It includes; Aluminum Extrusion Industries Plc, Industrial and Medical Gases Nigeria Plc, Multiverse Mining and Exploration Operation Plc and Thomas Wyatt Nigeria Plc. The data for the study was collected from the annual accounts and annual accounts of the sampled firms. Panel least square regression model was used to examine the relationship between cash holding and firm financial performance in Nigeria.

3.1 Model Specification

In line with the previous researches, the researcher adapted and modified the model of ifada, Indriastuti and Hanafi (2021) in determining the effect of cash holding on firm performance in Nigeria. This is shown below as thus:

Ifada, Indriastuti and Hanafi (2021): $\mathbf{FV = \beta_0 + \beta_1 CH + \varepsilon}$

The functional model for the study is therefore shown below as thus:

NAPS = F(CH)

MPS = F(CH)

The Econometric Form of the Regression modified for the study is also shown below as thus:

$\mathbf{NAPS_{it} = \beta_0 + \beta_1\ CH_{it} + \mu}$

$$MPS_{it} = \beta_0 + \beta_1 CH_{it} + \mu$$

Where:
CH = Cash Holding
NAPS= Net Assets Per Share
MPS = Market Price Per Share
μ = Stochastic Disturbance (Error Term)
β_0 = Intercept of Relationship in the Model Constant
β_1 = is the Coefficient of the Independent Variable
'*A Priori*' is given as: $\beta_0, \beta_1 > 0$
Decision Rule: accept Ho if P-value > 1%-5% significant level otherwise reject Ho

4. Data Analysis and Results

Table 1: Descriptive Statistics

	CH	NAPS	MPS
Mean	0.117302	0.057778	1.301032
Median	0.080000	0.530000	0.695000
Maximum	0.540000	3.860000	8.500000
Minimum	0.000000	-9.440000	0.200000
Std. Dev.	0.119187	2.419516	1.543994
Skewness	1.609683	2.516472	2.571479
Kurtosis	2.472072	2.753584	2.679444
Jarque-Bera	86.49618	2.445425	2.091652
Probability	0.897443	0.463521	0.109823
Sum	14.78000	-7.280000	163.9300
Sum Sq. Dev.	1.775683	731.7570	297.9898
Observations	**36**	**36**	**36**

Source: E-View 12 Computational Results (2025)

The table 1 above shows that the mean value of net assets per share (NAPS) among the sampled firms was 0.06. This implies that net assets per share of quoted natural resources firms in Nigeria is determined by corporate cash holding. The maximum value for the study was 3.86 while the minimum value was -9.44. This wide variation in maximum and minimum values of firm NAPS among the sampled firms justify the need for this study that firms' net assets per share is determined by corporate cash holding at a degree risk of 2.42%. The distribution for net assets per share (NAPS) is platykurtic since the kurtosis (2.75) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.463 is greater than 0.05, which means that the distribution of firm net assets per share is not different from a normal distribution.

The average value of market price per share (MPS) among the sampled firms was 1.30. This implies that market price per share of quoted natural resources firms in Nigeria is determined by corporate cash holding. The maximum value for the study was 8.50 while the minimum value was 0.20. The variation in maximum and minimum values of MPS among the sampled firms justify the need for this study that corporate cash holding is a determinant of firms' market price per share at a degree risk of 1.54%. While the distribution for market price per share (MPS) is platykurtic since the kurtosis (2.68) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.1098 is greater than 0.05, which means that the distribution of market price per share does not deviate from a normal distribution.

The mean value of cash holding (CH) for the sampled firms' was 0.12. This means that firms with CH values of 0.12 and above hold cash to conduct its business in normal course which helps them to avoid premature failures that decimate shareholder value. The maximum value for the study was 0.54 while the minimum value was .0000. The wide variation in maximum and minimum CH values among the sampled

firms justify the need for this study that firms with higher CH values are higher profit making firms than those firms with low CH values at a risk of 0.12%. While the distribution for cash holding (CH) is platykurtic since the kurtosis (2.47) is less than 3, implying that the outliers are few. The Jarque-Bera probability of 0.897 is greater than 0.05, which means that the distribution of cash holding is not different from a normal distribution.

In an effort to establish the nature of the correlation between the dependent and the independent variables and also to ascertain whether or not multi-collinearity exists as a result of the correlation between the variables, table 2 was incorporated which provides an insights into the nature and extent of correlation among the independent variables and how they are related to the dependent variable.

Table 2: Correlation Matrix

Variables	CH	NAPS	MPS
CH	1.000000		
NAPS	0.162574	0.455104	-0.003102
MPS	0.268872	0.326749	0.029569

Source: E-View 12 Computational Results (2025).

Table 2 above shows the relationship between the independent variable and all pairs of the dependent variables used in the regression model. It reveals that all the dependent variables (NAPS & MPS) have positive correlation with the independent variable (CH) while the values on the diagonal are all 1.0000 which shows that each variable is perfectly correlated with itself. In checking for multi-collinearity, we noticed that no two explanatory variables were perfectly correlated.

4.1: Test of Hypothesis

Panel Least Squares Regression Model was developed to test the linear relationship between the dependent and independent variables. It was operated using E-View 12 as shown in the table 3-4 below. Thus, the hypotheses were restated as follows:

H_{01}: Cash holding does not have significant effect on net assets per share of quoted natural resources firms in Nigeria

H_{02}: Cash holding does not have significant effect on market price per share of quoted natural resources firms in Nigeria

Decision Rule: accept Ho if P-value >1%- 5% significant level otherwise reject Ho

Table 3: Panel Least Squares Regression Result on Effect of Cash Holding on Financial Performance *(NAPS)* of Listed Natural Resources Firms in Nigeria

Dependent Variable: NAPS
Method: Panel Least Squares
Date: 10/22/24 Time: 15:13
Sample: 2016 2024
Periods included: 9
Cross-sections included: 4
Total panel (balanced) observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CH	3.300283	0.798761	4.131753	0.0000
C	1.444906	0.300196	4.813208	0.0000

R-squared	0.566430	Mean dependent var	0.057778
Adjusted R-squared	0.518579	S.D. dependent var	2.419516
S.E. of regression	2.396934	Akaike info criterion	9.602004
Sum squared resid	712.4165	Schwarz criterion	9.647024
Log likelihood	-287.9262	Hannan-Quinn criter.	8.620294
F-statistic	3.366321	Durbin-Watson stat	2.004059
Prob(F-statistic)	0.038939		

Source: E-Views 12 Computational Results (2024)

In table 3, R-squared and its adjusted R-squared values were (0.57) and (0.52) respectively. This is an indication that the independent variable explained about 57% of the systematic variations in net assets per share (NAPS) of our sampled firms over the nine-year period (2016-2024) while 43% of the systematic variations are captured by the error term. The F-statistics 3.366321 and its P-value of (0.038939) portrays the fact that the Panel Least Squares Regression Model is well specified. With this, the researcher affirms the validity of the regression model adopted in this study.

Test of Autocorrelation: Using Durbin Watson (DW) statistics, 2.004059 was obtained from the regression result as shown on table 5. This agrees with the Durbin Watson rule of thumb which indicates that the data is free from autocorrelation problem and as such fits for the regression result to be interpreted and relied on. Akaike Info Criterion, Schwarz Criterion and Hannan-Quinn Criterion which are 9.602004, 9.647024 and 8.620294 respectively further strengthen the fitness of our regression result for reliability as it confirm the goodness of fit of the model specified.

In addition to the above, the specific finding from our explanatory variable from panel least squares regression model as shown on table 3 is provided below as thus:

H_{01}: Cash holding does not have significant effect on net assets per share of quoted natural resources firms in Nigeria. This hypothesis was tested and the result of the regression model as exposited on table 3 indicates that the relationship between cash holding (CH) and net assets per share (NAPS) is positive and significant with a P-value (significance) of 0.0000 for the model which is less than the 1% level of significance adopted. Likewise the result of positive coefficient of 3.300 for the model indicates that, an increase in corporate cash holding increases firm net assets per share by 3.3%. This implies that corporate cash holding determines firm financial performance on Nigeria. We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that cash holding has significant effect on net assets per share of quoted natural resources firms in Nigeria. This aligns with the findings of Martinez-Sola, Garcia and Martinez (2022), Farazi (2021) who reported positive and significant association between corporate cash holding and net assets per share.

Table 4: Panel Least Squares Regression Result on Effect of Cash Holding on Financial Performance *(MPS)* of Listed Natural Resources Firms in Nigeria

Dependent Variable: MPS
Method: Panel Least Squares
Date: 10/22/24 Time: 15:15
Sample: 2016 2024
Periods included: 9
Cross-sections included: 4
Total panel (balanced) observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CH	0.020755	0.006677	3.108502	0.0023
C	0.090298	0.013450	6.713734	0.0000

R-squared	0.722292	Mean dependent var	0.117302
Adjusted R-squared	0.644811	S.D. dependent var	0.119187
S.E. of regression	0.115260	Akaike info criterion	11.467512
Sum squared resid	1.647314	Schwarz criterion	11.422492
Log likelihood	94.45328	Hannan-Quinn criter.	11.449222
F-statistic	9.662784	Durbin-Watson stat	2.045168
Prob(F-statistic)	0.000000		

Source: E-Views 12 Computational Results (2024)

In table 4, R-squared and its adjusted R-squared values were (0.72) and (0.64) respectively. This is an indication that the independent variable explained about 72% of the systematic variations in market price per share (MPS) of our sampled firms over the nine-year period (2016-2024) while 28% of the systematic variations are captured by the error term. The F-statistics 9.662784 and its P-value of (0.000000) portrays the fact that the Panel Least Squares Regression Model is well specified. With this, the researcher affirms the validity of the regression model adopted in this study.

Test of Autocorrelation: Using Durbin Watson (DW) statistics, 2.045168 was obtained from the regression result as shown on table 6. This agrees with the Durbin Watson rule of thumb which indicates that the data is free from autocorrelation problem and as such fits for the regression result to be interpreted and relied on. Akaike Info Criterion, Schwarz Criterion and Hannan-Quinn Criterion which are 11.467512, 11.422492 and 11.449222 respectively further strengthen the fitness of our regression result for reliability as it confirm the goodness of fit of the model specified.

In addition to the above, the specific finding from our explanatory variable from panel least squares regression model as shown on table 4 is provided below as thus:

H_{04}: Cash holding does not have significant effect on market price per share of quoted natural resources firms in Nigeria. This hypothesis was tested and the result of the regression model as exposited on table 4 indicates that the relationship between cash holding (CH) and market price per share (MPS) is positive and significant with a P-value (significance) of 0.0023 for the model which is less than the 1% level of significance adopted. Likewise the result of positive coefficient of 0.021 for the model indicates that, a an increase in corporate cash holding increases firm market price per share by 0.021%. Thus implies that corporate cash holding is a determinant of firm market price per share in Nigeria. We therefore rejected the null hypothesis and accepted the alternate hypothesis which contends that cash holding has significant effect on market price per share of quoted natural resources firms in Nigeria. This is in agreement with the a priori expectations of Moshin, Shujahat and Ghulam (2023), Nirosha, Anura and Shiguang (2023), Gill and Shan (2022) and Sun (2022) found positive and significant association between corporate cash holding and market price per share.

5. CONCLUSION

The study having developed a model fits on the effect of cash holding on firm financial performance in Nigeria notes that among the four categories of firm financial performance measures covered in this study; cash holding exerts more influence on the net assets per share (NAPS) and consequently market price per share (MPS). Therefore, the study concludes that cash holding ensures financial performance of quoted natural resources firms in Nigeria.

5. 1 RECOMMENDATION

In line with the findings of the study, it was recommended that:

1. The study also recommends that managers should consider the financial condition of a firm when determining the optimum cash holdings due to the different effects since optimum cash holdings ensure firm net assets value
2. Managers should determine the optimum cash holdings to avoid the negative effect on firm market price per share such as tax disadvantage or the opportunity cost.

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