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LIQUIDITY, PROFITABILITY, AND FIRM VALUE OF LISTED NON-FINANCIAL FIRMS IN NIGERIA

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Abstract: The company's ability to generate and raise profits can encourage investors to invest and expand the firm's value. However, highly illiquid Firms may also find it difficult to react to unforeseen expenses or take advantage of sudden market opportunities, hampering growth. This study, therefore, seeks to investigate the relationship between liquidity, profitability proxy by current ratio, and net profit margin on firm value proxy by Tobin's Q of listed non-financial firms in Nigeria. To achieve these objectives, the study employs an ex-post facto research design with special focus on a longitudinal panel. The population comprises 107 listed non-financial firms, out of which 70 firms that had consistently published their audited annual financial reports from 2011 to 2024 were sampled, using a purposive sampling technique. The collected data were analyzed using a panel multiple regression technique with the help of E-views 13 statistical tools. Findings revealed that the current ratio has a positive and significant effect on Tobin's Q of listed non-financial firms in Nigeria. In contrast, net profit margin has a positive but insignificant effect on Tobin's Q of listed non-financial firms in Nigeria. The study, therefore, concludes that liquidity has a significant and positive effect on firm value, while profitability has a positive but insignificant effect on firm value. The study, therefore, recommends that management of listed non-financial firms in Nigeria should continue to maintain an optimal current ratio that balances liquidity and focus on improving net profit margin by increasing revenue and reducing costs.

Keywords: Firm Liquidity, Firm Profitability, Current Ratio, Net Profit Margin, Firm Value, Tobin's Q, Firm Age.

I. INTRODUCTION

The value creation process is the entity's business model that shows how the resources are utilized during business activities to create beneficial output in the form of commodity production or service delivery. Firm value has remained an important factor in analyzing any company's success and also displays how shareholders evaluate a company's performance on a worldwide scale (Nwamaka, 2017). A high firm value is thought to improve investors' trust and confidence by underlining the big benefits that non-financial firms' investors may receive from having a strong investment opportunity in a company. Rising firm value, thus, depicts the idea of continuing the business that results in owners' wealth and, in some instances, delivers a competitive advantage. It has a major impact on performance, which could assist the organization in acquiring finance. It also creates the framework for enhancing efficiency within the organization, giving it a competitive advantage and stable industry leadership in comparison to rival businesses.

Non-financial firms in Nigeria have, however, emerged as a significant driver of innovation, economic development, and economic growth. The value of businesses, especially non-financial firms, plays a significant role in economic growth, stability, and development in many economies across the world, especially those in developed countries and African countries. A firm exists and makes decisions to maximize profits. However, a few micro and macroeconomics variables hurt the firm value of listed non-financial firms in Nigeria, such as inflation, exchange rate volatilities, poor revenue growth rate, profit margin, market shares, high interest rate, government policy, and global economic trend. These variables have greatly affected the firm value of non-financial firms in recent times (Culham, 2020). Interest rates and inflation are related because interest rates are a monetary tool used to reduce excessive inflation. Generally speaking, rising inflation lowers a private company's worth by lowering its earnings. This is especially true for companies operating in price-competitive industries like restaurants, retail stores, supermarkets, and airlines. It is usual to refer to the various factors that influence the price and availability of goods and services in a market as "market forces." These elements are the invisible hand that guides the financial decisions made by individuals, businesses, and governments. These firm-specific risks (FSRs) represent the distinct weaknesses that can have a major effect on a business's competitive position, operational effectiveness, and financial

stability. FSRs are intrinsically linked to the internal and external factors that a certain organization encounters, as opposed to systematic risks that impact the entire market or sector.

Businesses must be aware of macroeconomic issues that affect their value to reduce their impact on future cash flows and profitability (Issah & Antwi, 2017). Because macroeconomic factors like GDP growth rate, inflation rate, and currency rates are out of an organization's control, businesses must predict the various ways in which these elements will affect their future business performance (Shamsuddeen *et al*., 2020). Social, environmental, political, supplier, competitor, and governmental regulations and policies are examples of macroeconomic elements that are external to the business and beyond the control of management. In line with the stockholder wealth maximization goal, management should seek to maximize the present market value of the expected future returns to the company's owners, or shareholders (Bambang *et al*., 2021). However, the current issues affecting the firm value of listed non-financial firms in Nigeria include those of appropriate financial leverage, industry and market conditions, firm-specific risks, and corporate governance issues that hurt the maximization of shareholders' objectives and firm value. The price of a company's shares can be used to determine its current or market value. This is based on the notion that a high leverage ratio coupled with firm-specific risk will drastically affect stock price, which will result in a low profit for the company. A strong firm value not only helps a business to run smoothly, but also expands the company's potential for the future. This is so because the markets, the communities, and potential investors' perceptions of the company's value are reflected in its stock price, which might be due to fiscal policy and global economic trends. It is believed that the stock price accurately reflects the value of the company's assets.

Moreover, there are other issues associated with the firm value of listed non-financial firms in Nigeria, which include: market forces, firm-specific risk refers to a risk that a company's stock price will change due to factors that are unique to that company. Macro-economic conditions such as the inflation rate, interest rate, and exchange rate. Growth impact and disruptive technologies, which an innovation that changes the way people live, work, and interact with others. The above-mentioned issues have greatly affected the firm value of listed non-financial firms in Nigeria. Despite the massive regulatory procedures put in place by the government to improve non-financial companies, non-financial companies continue to underperform as a result of neglect of strategic liquidity and profitability ratios, leading to a fall in their firm value of shares (Purwohandoko, 2017). If this problem is not solved, it might affect different stakeholders' groups, such as shareholders and investors who depend on the company information for investment purposes, employees who depend on the company for their survival, and government taxes and other levies will be affected. Likewise, consumers and the general public who depend on these companies' products for daily consumption will be affected.

Liquidity represents a company's ability to pay off the company's short-term obligations or debts (Giany *et al*., 2024). Liquidity describes the company's capacity to meet its short-term obligations. The stronger the value of the company's liquidity ratio, the better the company's capacity to meet the company's short-term obligations. A solid liquidity ratio also reflects the company's good operational abilities and the company's ability to pay dividends to shareholders (Culham, 2020). Therefore, a company with a high degree of liquidity will have good firm value from the perspective of investors and potential investors. Liquidity has a substantial effect on corporate value (Gregorius & Dominicius, 2017). The better the company's liquidity value, the better the firm value as well (Oyindamola et al., 2020). The significant effect of the company's liquidity level is also obvious in the increase in firm value. A corporation is deemed to be liquid if it can satisfy its short-term obligations on time because of the vast amount of money accessible to the company to support its operational and investment activities. Liquid corporations use internal capital in their financing activities. It can raise the demand for shares by potential investors, thereby enhancing the share price. High stock prices reflect high firm value. Research on the effect of liquidity on firm value has been studied by Sudiani *et al*. (2017), proving that liquidity has a significant beneficial effect on business value.

Profitability, according to Markonah *et al*. (2020) is what decides whether a company remains in operation. He claimed that a company's capacity for profitability is its capability for earning a profit. Therefore, a profit is the amount of corporate income that remains after all expenses related to that revenue have been paid for a given period. In the view of investors, a firm is worth more if its earnings are higher, and investors respond positively to a rise in stock prices by bidding up the price of the company's shares on the market (Alvin P. & Agustina R. D., 2021).

Prior studies that have delved into the examination of liquidity and profitability on firm value, including Etim *et al*. (2022); Achema Friday (2023) and Aigienohuwa, and Uniamikogbo (2021), have consistently employed various metrics, such as market price, price to book value and price/earnings ratio, to ascertain a company's firm value. However, the impact of these measurements on a company's firm value varies depending on the industry. Since Nigeria's non-financial sector is regarded as a major contributor to the country's economic development, little research has been done on the concepts of liquidity and profitability and the firm value of listed non-financial firms

using Tobin's Q as a measurement of firm value. In a similar vein, previous studies that have investigated liquidity and profitability, such as Oyindamola *et al*. (2020), Etim *et al.* (2022), and Rabhita *et al*. (2023), have typically chosen a timeframe that is, at most, limited to less than ten years. This is because their analysis has typically been conducted over five to seven years. However, the time frame chosen for this study will be a period of 14 years, from 2011 to 2024, to obtain a deeper understanding of the issue highlighted.

The majority of the underlying theories utilized in the literature gap were focused on agency theory, human capital theory, and institutional and legitimacy theory. There is a knowledge gap in the literature because fewer studies have looked at stakeholders' theory as the underpinning theory. Akai *et al*. (2024), Ohiokha and Phillipine (2024) Markonah *et al*. (2023) are a few of the earlier similar studies that have consistently concentrated on financial performance and the use of return on assets. Tobin's Q will be used in this study to measure firm value, which sets it apart from the others. Therefore, this study investigates the effect of liquidity and profitability on the firm value of listed non-financial companies in Nigeria for the period 2011 to 2024. The basic hypotheses underlying this study are stated thus.

H_{o1} Current Ratio does not significantly affect the Tobin Q of listed non-financial companies in Nigeria.

H_{02}: Net Profit Margin has no significant effect on Tobin Q of listed non-financial companies in Nigeria.

II. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Firm Liquidity

Liquidity is the company's capacity to make timely payments on its short-term loans (Markonah *et al*.,2020). The liquidity ratio, which gauges a company's overall financial solvency and ability to pay off debt, is one financial statistic that is commonly used to analyze its financial records. It may also be a sign of a company's demise or cash flow problems. Since it shows that it has enough money to run its business, a company with a high level of liquidity will have the opportunity to get outside assistance. The corporation must efficiently manage its liquidity to maintain business continuity and connections with external stakeholders, such as suppliers, investors, creditors, securities institutions, and the government.

The ability of the business to settle its short-term debt is known as liquidity. A metric called the liquidity ratio is used to assess a company's capacity to use its existing assets to pay off debts that are due in less than a year. Businesses with high levels of liquidity attract investors who want to put money into them. A corporation with strong liquidity may be a good indicator for potential investors. It is the quality of a product that makes it easily convertible into money. Markonah *et al*. (2020) acknowledged that a large number of financially sound and prosperous businesses have failed due to their inability to pay their debts. Covering routine costs, unforeseen emergencies, contingencies, or accidents may be among a company's duties. To effectively satisfy such obligations, businesses must have a certain percentage of their total liquid assets in cash. Consumers, and particularly creditors, see a business that can meet its deadlines favorably as viable (Markonah *et al*.,2020).

2.1.2 Current Ratio

Mukhopadhyay (2014) defined current ratio as a type of liquidity ratio (the ability of a firm to pay their debts). A company can use it as a financial measure in companies that span across industries to weigh a company's ability to match its assets to its liabilities by the end of the year. Some Professionals refer to the current ratio as working capital. The current ratio is also commonly referred to as the working capital ratio. It measures the ability of a business to meet its short-term obligations that are due within a year. The ratio takes into consideration the total current assets versus the current liabilities. It indicates the financial health of the company and how it can maximize the liquidity of the current assets for clearing payables and debts (Makori & Jagongo, 2018). Makori and Jagongo (2018) stated that a current ratio between 1.5 and 2 is generally considered beneficial for a business. This implies that the company has more financial resources for covering its short-term debt, and it is operating under stable financial solvency. A very high current ratio indicates that the business is not able to manage its capital efficiently to produce profits. A low current ratio of less than 1 indicates that the company's current liabilities are more than its current assets, and the business may not be able to cover its short-term debt with its existing financial resources. There is no ideal current ratio or any clear distinction between what makes a current ratio good or bad, as each industrial segment has its standard for defining current ratios.

To ensure that a business remains liquid, financial managers must design an appropriate asset-liability mix that prevents the total liabilities of the business from exceeding the total assets of the business. Liquidity ratios have gained popularity throughout time as practical measures of liquidity. Among the ratios are the debt ratio, quick ratio, and current ratio. Apart from the liquidity ratios, the amount of current ratio is the company's ability to pay its short-term obligations using its current assets, and it can be measured by:

Current Ratio = $\frac{Current\ Assets}{Current\ Liabilities}$

2.1.3 Firm Profitability

The ability of the business to turn a profit at a specific time is known as profitability. Because it can be used to predict the company's future financial condition and as an indicator of the firm's ability to meet its obligations to its funders, the ability of the business to generate profits from operating activities is the primary focus of the company's performance appraisal (company fundamental analysis). Gitman (2015) clarified that a company could not draw in outside funding if it was losing money. Since revenues are so important to the market, owners, creditors, and management all pay particular attention to maximizing profits. The operating profit margin, also known as the return on sales ratio, is a widely used profitability metric to assess a company's operational efficiency (Rabhita *et al*.,2023). It calculates the percentage of each sale that remains after deducting the cost of goods sold, other expenses, interest, taxes, and preferred stock dividends. Based on the amount of assets, sales, or owner investment in the business, profitability can be used to assess and analyze the firm's profit. Nonetheless, the value of the traded stock prices on the capital markets can be used to illustrate the corporation's overall worth. Causality illustrates the elements of soundness and profitability, which will favorably affect the decisions made by capital market investors. The case will also affect the decisions made by creditors about the business through loan financing. Thus, according to research developments in financial management, profitability aspects usually have a causal relationship to the company's value (Sudiani *et al*., 2016).

Theoretically, the profitability dimensions of the company's primary performance proxy are causally related to the value of the business as assessed by stock price indicators and the capital structure of the business, including the quantity and makeup of its debts. Furthermore, profitability results from a range of management choices and guidelines (Rabhita *et al*.,2023). Businesses that continuously produce high levels of profitability are more inclined to use their funds rather than going into debt. A high net profit for the company is also indicated by a strong return on assets.

2.1.4 Net Profit Margin

The portion of the total income that remains after all costs and taxes are deducted is known as the net profit margin. The firm will need to pay for business expenses and pay the tax office a significant portion of its profit. The net profit margin is the amount of income that remains after expenses are deducted. According to Bordeleau and Graham (2017), the amount of net income or profit that a business makes as a percentage of its revenue is measured by net profit margin, also known as net margin. It is the proportion of a company's or business segment's net profits to revenues. Although it is most commonly written as a percentage, net profit margin can also be shown as a decimal. The amount that a business keeps from each naira of revenue is shown by its net profit margin.

Net profit margin (NPM) is a measure of profitability calculated by dividing profit before interest and tax by total revenue. NPM is considered a gauge of a corporation's profitability and how efficiently it generates profits. The higher the NPM, the more efficient a company's management is at generating income and growth from its revenue (Ramlall, 2016). Ibe (2018) opined that NPM is expressed as a percentage and can be calculated for any company using profit before interest and tax and revenue for a given period in the financial performance statements. NPM is a metric that measures a particular company's profitability. It specifically shows the business's income, or annual return, which is then divided by the total revenue (Lina 2021). The profitability ratio is used to evaluate a company's capacity to turn a profit and indicates how well its management is performing (Ashara, 2023). It is calculated using sales and investment income earnings; the key is that the ratio's application shows how effective the business is. Gitman (2015) states that the operating profit margin, also known as the return on sales ratio, indicates the amount of profit generated per rupiah of sales or pure profits and may be quantified by

NPM = $\frac{PBIT}{Turnover}$

2.1.5 Firm Value

The concept of value is interpreted in a variety of ways. According to Adegbite *et al*. (2020), the concepts of fair market value, fair value, investment value, and intrinsic value can all be used to explain value. According to Al-Omari *et al*. (2024), value can also be referred to as firm value, book value, inherent value, market value, nominal value, and liquidation value. They pointed out that intrinsic value was the most representative concept to measure corporate market performance, but it is hard to quantify and necessitates the capacity to recognize important factors that affect a company's profitability. Thus, the total of the predicted market value of preference shares, debt, and the actual market value of common stock is the firm's value.

According to Gregorius and Dominicius (2017), firm value is the investor's assessment of a company's success. The corporation's share price reflects this. According to Adegbite *et al*. (2020), a rise in the share price

indicates that investors have faith in the company and are therefore prepared to pay more in the hopes of achieving larger financial returns. Consequently, a company's total assets are its value. It is made up of the market value of the liabilities and shares. A firm's worth is determined by several core elements, including its debt policy, investment choices, and liquidity (Van-Heerden and Van-Rensburg 2016).

2.1.6 Tobin's Q

Tobin's Q is one of the most comprehensive and extensively used financial indicators that may be used to define the firm's success. It is frequently utilized in studies to explain the management of the organization (Hidayat *et al*., 2019). Organizations understand the value of responding swiftly to the factors influencing their performance and growth potential because they operate in a dynamic environment. James Tobin's (1969) Q theory of investment is the foundation of Tobin's Q. The foundation of the Q theory of investments is the idea that there are strong incentives for investors to put their money into actual, replicable capital if they value assets at prices greater than their replacement costs. Keynes refers to this concept, which forms the basis of Tobin's "q," which is the ratio of the costs of replacing replicable actual capital assets to their financial market price. The role of adjustment costs related to investments is emphasized by the q theory of investment. For the theory to be accepted, it must admit that there can be a discrepancy between the values of capital.

According to James Tobin's theory, the total market value of all the companies listed on the stock Exchange ought to be equal to the cost of replacing them. Corporate raiders or potential buyers would be drawn to an undervalued company with a low Q (between 0 and 1) since they might prefer to buy the business rather than start a similar one. Increased interest in the business would probably result in higher stock prices, which would raise the company's Tobin's Q. Companies that are expensive and have a high Q (higher than 1) can experience more competition. A high Q indicates that a company is making more money than it needs to replace its assets.

$$TQ = \frac{\text{Market price per share}}{\text{Book value of equity}}$$

2.1.7 Firm Age

Firm age indicates a company's reputation for having the capacity to gain commercial experience. According to Ofuan. and Izien (2016), it boosts a company's ability to attract additional investment from debt to equity. Overall, this might lead to a company's reputation that has been established over time. The date of a company's founding can be used to estimate its age (Adebayo *et al*., 2022). Firm age is the period a business has been in operation from the moment it was founded until the present. A company that has been in business for a long time will have more experience in its industry and be better well-known to the general public than newbies. As stated by Adebayo *et al*. (2022), the researcher used the gap between the study's year and the company's founding year to calculate the firm age in his investigation. Maintaining a business for a long time is difficult because the company must maintain the quality of its products, and new companies will constantly enter the market with their products. To stay competitive and continue operating, the company must be creative with its products and technology.

The age of a firm can significantly influence its governance practices and firm value. Established firms with a long operational history often have well-defined disclosure structures, including experienced boards and management teams (Abubakar, 2019). These firms tend to attract more investors, leading to enhanced market value and reduced cost of capital as a result of the disclosure of non-financial information. Additionally, older firms often benefit from strong brand recognition, customer loyalty, and extensive networks, which contribute to their competitive advantage.

2.2. Empirical Review

Petronila and Aprilianti (2024) assessed the effect of liquidity and dividend policy on firm value with the structure of capital as a moderating variable. The research population, property, and real estate firms listed on the Indonesia Stock Exchange between 2018 and 2022. Purposive sampling combined with case-wise diagnostics allowed for the selection of 101 observational data points for research samples. Descriptive statistics, multiple linear regression analysis, and moderated regression analysis were used for data analysis. Firm value is estimated by Tobin's Q ratio. The analysis results prove that profitability with return on assets shows a significant negative effect on firm value, liquidity with cash ratio does not affect firm value, and dividend policy with dividend payout ratio shows a significant positive effect on firm value. The structure of capital with debt on equity strengthens the effect of liquidity on firm value, but does not moderate the effect of profitability and dividend policy on firm value. Based on the institutional gap, the findings and recommendations of real estate firms might not apply to listed non-financial firms in Nigeria. To make this study timely, this present study intends to cover a period of 14 years from 2011-2024.

Jihan and Aty (2024) examined the Effect of Profitability, Company Size, and Liquidity on Stock Prices with Dividend Policy as a Moderating Variable (Empirical Study on Banking Companies Listed on the Indonesia Stock Exchange from 2020 to 2023 in the Banking sub-sector. The purpose of the study wss to test the effect of Profitability (Return on Assets), Company Size (Total Assets), and Liquidity (Loan to Deposit Ratio) on the stock prices of banking companies listed on the Indonesia Stock Exchange in 2023 by choosing dividend policy (Dividend Payout Ratio) as a moderating variable. The population selected in this study was banking companies listed on the IDX, and then determined to be 17 sample companies that could be continued for the research process. After conducting the study, the results showed that Profitability (Return on Assets), Company Size (Total Assets), and Liquidity (Loan to Deposit Ratio) had a positive and significant effect on the company's Stock Price, both directly and when moderated by dividend policy. This study was carried out outside Nigeria, and based on the geographical gap, the findings and recommendations might not apply to Nigerian non-financial firms.

Ihenyen and Roseline (2023) examined the effect of liquidity on firm value across a few Nigerian consumer goods industries. Business value served as the independent variable with dimensions of liquidity ratio, acid test ratio, and stock multiplier ratio, whilst business value served as the explanatory variable and was proxied by market share price. The goal was to determine if the explanatory and dependent variables have a meaningful connection. The study's methodology was an ex-post-facto research design. Twenty-six consumer products businesses listed on the Nigerian Exchange Group make up the population, and five of those companies were chosen as the study's sample. The investigation used a secondary source to gather data. The audited financial statements of the chosen companies between 2015 and 2021 were used to collect data for both the dependent and independent variables. The statistical method of multiple regression was used to examine the given data. The results of the investigation demonstrated that in Nigerian consumer goods businesses, there is a weak link between stock multiplier ratio and market share price and a strong relationship between firm liquidity ratio, acid test ratio, and market share price. The findings and recommendations of twenty-six consumer products businesses listed on the Nigerian Exchange Group might not be used to generalized on 107 listed non-financial firms. This present study intends to sample 70 non-listed financial firms to make an appropriate generalization.

Achema (2023) examined the influence of liquidity management on the firm value of listed deposit money banks in Nigeria. This was premised on the fact that the continuous existence of listed deposit money banks is guaranteed by the level of improvement in firm value, which may depend on the level of liquidity management technique employed by managers. Have these techniques of liquidity management adopted by managers of listed deposit money banks in Nigeria influenced firm value? Ex-post facto research design was employed for the study. Twelve (12) listed deposit money banks were sampled out of a population of fourteen (14) listed deposit money banks on the floor of the Nigerian Exchange Group (NEXG) as at December 31, 2022. The independent variables for liquidity management were measured by current ratio (CRR), Quick Ratio (QR), Cash Ratio (CR) and Loan Ratio (LR), and Firm Value (FV) was the dependent variable panel data was sourced from the published financial reports of the sampled banks and analysed using fixed effect regression technique. Results revealed that CRR, QR, and LR had a positive and significant influence on FV, and CR had a positive and insignificant influence. It was recommended that managers of listed deposit money banks should invest continuously in current assets to raise liquidity and profitability, which impacts on firm value. Based on the institutional gap, the findings and recommendations of listed deposit money banks might not apply to non-financial firms due to different operating activities.

Ashara *et al*. (2023) studied the effect of profitability on the dividend payout of listed non-financial firms in Nigeria from 2012 to 2021. The population of the study consists of all the listed nonfinance firms with representation from the following sectors: Agriculture, Consumer goods, industrial goods, oil and gas, healthcare, services, natural resources, technology, and conglomerate, making a total of 108 non-finance firms. However, through a purposive sampling technique, 67 listed non-finance firms were selected from the population. Specifically, to achieve the objectives, the researcher conducted a pooled Ordinary Least Squares (OLS) regression before proceeding to check for inconsistencies with the basic assumptions of the pooled OLS regression. The results show that profitability has a significant negative effect on dividend policy and an insignificant level when proxies are used in terms of dividend per share and dividend payout. To make this present study timely and relevant to today's world, this study covers the period of 2013-2024 and employs the use of net profit margin to measure profitability.

Etim *et al*. (2022) examined the influence of liquidity management on the firm value of quoted manufacturing companies in Nigeria. This was premised on the fact that the continuous existence of quoted manufacturing companies is guaranteed by the level of improvement in firm value, which may depend on the level of liquidity management technique employed by managers. Do these techniques of liquidity management adopted by managers of quoted manufacturing companies in Nigeria influence firm value? Ex-post facto research design was

employed for the study. Forty-two (42) quoted companies were sampled out of a population of fifty-six (56) quoted companies listed on the floor of the Nigerian Stock Exchange (NSE) as at December 31, 2019. The independent variables for liquidity management were measured by current ratio (CRR), Quick Ratio (QR), Cash Ratio (CR) and Net Working Capital Ratio (NWCR), and Firm Value (AV) was the dependent variable panel date was sourced from the published financial reports of the sampled companies and analyzed using fixed effect regression technique. Results revealed that CRR, QR, and NWCR had a positive and significant influence on FV, and CR had a positive and insignificant influence. This present study uses 70 sample non-financial firms and employs the use of human capital, social and relational capital, liquidity, profitability, and intellectual capital as a measure of integrated reporting.

Aigienohuwa and Uniamikogbo (2021) examined the relationship between profitability and timeliness of financial reports in Nigerian quoted companies. An Ex Post Facto research design was adopted for the study. The population is all the 145 quoted companies in Nigeria. The sample size was determined using the Taro Yamane method. Data were sourced from the content analysis of annual reports and accounts of the selected quoted Nigerian companies for eleven years from the year 2010 to 2019. The panel data regression technique was used to estimate the relationship between the variables with the aid of e-view 9.0 software. The outcome of the study revealed that there is a significant relationship between profitability and timeliness of financial reports in Nigerian quoted companies at 5% level of significance. This present study employed a sample size of 70 non-listed financial firms and covers a period of 14 years from 2011-2024.

Oyindamola *et al*. (2020) studied the impact of Liquidity Management on the Value of listed consumer goods firms in Nigeria. The study adopted an ex-post facto research design. The population of the study is Twenty-One Consumer goods firms listed on the Nigerian Stock Exchange, of which thirteen (3) were sampled using a purposive sampling technique from 2009 to 2018. Ordinary least squares with robust standard errors were employed to ascertain the impact that Liquidity Management ratios - Current Ratio and Debtors' Collection Period - have on Market Price per Share. The study showed that Current Ratio and Debtors' Collection Period both have a significantly positive impact on the Market Price per Share. Thus, liquidity management has a significant impact on the Market Price per Share of listed consumer goods firms in Nigeria. Twenty-one consumer goods firms listed on the Nigerian Stock Exchange might not apply to almost 107 non-financial firms in Nigeria. This present study employed a sample size of seventy firms to ensure generalization.

Robert *et al*. (2015) investigated the effect of corporate size on profitability and market value of listed firms in Kenya. In this study, data for companies that were active in the Nairobi Securities Exchange (NSE) between the years 2010 to 2014 have been used. Unit root test results indicate that all the variables are integrated of order zero (p = .000), meaning that they were stationary at levels. Panel correlation and multiple regression methods are used in the empirical estimations. Results indicate that there is a positive significant relationship between firm size and profitability, that is, return on equity impying that value that a unit change in firm size leads to an increase in return on equity of firms listed at the Nairobi Securities Exchange, all things being fixed whereas firm size insignificantly positively predicts profitability, that is, return on asset. The findings and recommendations of listed firms in Kenya might not apply to Nigeria due to different geographical and economic conditions. This present study employed the use of 70 sample companies from listed non-financial firms to ensure generalization.

2.3 Theoretical Framework

2.3.1 Stewardship Theory

Stewardship theory was introduced by Donaldson and Davis (1989). The theory claims conflicts of interest between a manager and board members and/or owners do not occur of necessity (Donaldson and Davis,1989). Instead, a steward is assumed to choose service to others over self-interest, to be intrinsically motivated by the organization's long-term interests, which will extend beyond the current manager's tenure (Hernandez, 2008). A steward is further assumed to be motivated by a vision of doing well not only for the organization, but also for society at large. Thus, stewardship theorists formulate assumptions of man that radically and rhetorically differ from the idea of the economic man. Although appearing to directly oppose agency theory, stewardship theory was notably introduced as its complement and shaped to critique the fundamental assumptions of the economic man. In a seminal article, Davis *et al*. (1997) later developed and refined this critique, revisiting the fundamental assumptions of the economic man as an explicit reason for formulating another model and theory in the corporate governance field.

The critique formulated by Davis *et al*. (1997) challenged the seemingly one-sided and, more importantly, negative moral characterization of managers centrally articulated in agency theory. Donaldson argued that these articulated themes provided a dark conception of managers and their assumed inclination to shirk responsibilities, to act with guile, or to take risks associated with moral hazard.

2.3.2 Stakeholders' Theory

This theory was introduced by Freeman (1984) and is one of the theories used to explain voluntary disclosures. Freeman (1984) stated that a stakeholder is an individual or group that can affect the achievements of the corporate objectives or is or are affected by these objectives. Adeboyegun *et al.* (2020) stated that these entities include the owners, managers, employees, suppliers, payables, receivables, government, and the public. Freeman (1984) suggested that this theory acknowledges the dynamic and complex relationships between corporations and their stakeholders and that these associations involve responsibility and accountability. This theory consists of both ethical and managerial components. The ethical component provides that all stakeholders should be treated equally, while the managerial component explains that the more powerful stakeholders are of greater interest to the corporation. The corporation will satisfy the demands of the powerful stakeholders because they are essential for corporate survival. Therefore, an integrated report must be prepared to provide details, which can comprehensively meet the information needs of the diverse stakeholders (Adeboyegun et al, 2020). Camilleri (2018), de Villiers et al (2017), Dumay et al. (2018), as well as Aluchna *et al*. (2019) explained that integrated reporting explains how important stakeholders can drive management behaviour towards society and environment rather than profit motives only

Stakeholders are groups or individuals who are influenced or can influence corporate activities. The long-run survival of the organization depends on its stakeholders' support and approval. The more power the stakeholders possess, the better the organization's ability to meet their demands. According to Freeman (1984), the theory provides a means of connecting ethics and strategy, which can help organizations that have the intention of serving the interests of all the stakeholders. Integrated reporting engenders the need for transparency and accountability, raising a growing interest in understanding how the economic system, ethics, and sustainability can serve all organizational stakeholders, whether they are primary (capital providers) or not. The importance of stakeholder engagement is essential when considering informational asymmetry, given that external stakeholders have limited means to monitor the agent's behavior. For Schaltegger (2012), stakeholder trust in organizations occurs not only through the issuance of standardized financial statements but also in the face of diverse activities and interactions. Establishing relationships of trust and developing organizational communication refers to the idea of integrated thinking (IIRC, 2015), which involves stakeholders in a mutually beneficial interaction. Therefore, the institutional relationship with stakeholders will lead to the process of incorporating relationship management. Modernization has made business competition increasingly fierce, requiring companies to change their business methods to a knowledge-based business.

2.3.3 Signaling Theory

Signaling Theory, primarily developed by Michael Spence in 1973, focuses on communicating information between parties with different levels of knowledge. In business and economics, it explains how one party (typically a firm or an individual) can signal its quality or intentions to another party, often in situations with asymmetric information. Spence's original work revolved around the labor market, where job seekers signal their abilities to potential employers through educational credentials. In the broader organizational context, signaling theory suggests that firms use various signals to communicate their value, credibility, and intentions to investors, employees, and other stakeholders. Concerning liquidity and profitability, Signaling Theory suggests that the liquidity and profitability position serve as a signal of the firm's health, prospects, and corporate governance quality. A high liquidity and profitability position may be interpreted by the market and stakeholders as a signal that the company is successful, competitive, and capable of attracting top talent. This signal can influence investor perception and behavior, affecting stock prices, investment decisions, and the firm's reputation in the marketplace. Conversely, low liquidity and profitability may signal financial distress, poor governance, or a lack of ambition, which could lead to negative market reactions (Connelly *et al.*, 2011).

In the Nigerian context, Signaling Theory can help explain the strategies used by firms in the non-financial sectors to communicate their corporate strength and governance standards. Firms operating in dynamic and competitive markets, such as those in Nigeria, often face pressures to signal their viability and growth potential to investors and stakeholders. A key aspect of signaling in organizations is that these signals are often costly or difficult to imitate. In this context, signaling theory is not just about offering any information, but about providing clear, credible information that assures stakeholders that liquidity and profitability levels are aligned with organizational performance and long-term value creation (Jensen & Meckling, 1976). In the Nigerian context, Signaling Theory can help explain the strategies used by firms in the non-financial sectors to communicate their corporate strength and governance standards. Firms operating in dynamic and competitive markets, such as those in Nigeria, often face pressures to signal their viability and growth potential to investors and stakeholders. This is especially important in industries where competition for skilled executives is fierce and where attracting top talent is crucial for maintaining a competitive advantage.

Signaling theory was used as the underpinning theory for this study simply because liquidity and profitability levels can be seen as an information system in signaling the firm's strength and commitment to long-term success (Spence, 1973). Another important dimension of Signaling theory is the role of corporate governance practices and transparency. Firms that disclose information about their liquidity and profitability position and justify them with performance metrics or strategic goals send a strong signal to investors that they are committed to aligning management interests with those of shareholders. Signaling Theory provides a powerful framework for understanding how information is conveyed in situations where not all parties have access to the same information. Its applications extend far beyond its initial economic context, providing insights into a wide range of social and business interactions.

III. METHODOLOGY

This study adopts the ex-post facto research design with longitudinal panel regression analysis. The population of the study covers all the one hundred and seven (107) listed non-financial firms on the Nigerian Exchange Group. Fourteen years (2011-2024) were selected for the study to present a clear picture of the problem in a determinable period. A sample size of seventy (70) listed non-financial firms was selected for this study using a purposive sampling technique. Covering a period of fourteen (14) years (2011-2024). The choice of 2011 is based on the beginning of political instability that led to inflationary and exchange rate pressures, availability of data, and relevance of the study to today's economic reality.

The selection was based on the following criteria:

i.) Availability of data

ii.) Any consumer goods companies that do not publish their financial statement online are excluded.

iii.) The companies were not delisted throughout the study period

Panel regression technique was used to analyze the data collected with the aid of E-View 13 statistical package.

The study adapts the approach of Achema (2023) model with little modification. The model is stated below:

FV = CR, CRR, CR.....**(i)**

Model Specification

$TQ = \beta_{0it} + \beta_1 CR_{it} + \beta_2 NPM_{it} + \beta_3 FA_{it} + \epsilon_{it}$.....**(ii)**

Where:

β_0 **=** the autonomous parameter estimates (intercept or constant term)

$\beta_0 - \beta_3 =$ Parameter coefficient of liquidity and Profitability.

TQ= Tobins Q

CR = Current Ratio

NPM Net profit Margin

FA= Firm Age

ϵ_{it} = Stochastic Error term

Table 3.2: Study Variables and their Measurement.

S/N	Variables	Measurement		Source
	Dependent Variable			
1. TQ	Tobin Q.	Dependent	Market price per share / book value of equity.	Abdulrahman and Ajayi (2022)
	Independent Variable			
2. FL	Firm Liquidity	Independent	Current assets / current liability	Nabeel and Hussain (2017).
3. FP	Firm Profitability	Independent	: **NPM** = PBIT / REVENUE	Nailai and Rika (2016).
4.	Control Variable	Firm Age	Years of incorporation	Coad, *et al*. (2017)

Source: Researcher Compilation (2025

A priori Expectation

The current study envisages that the coefficient of liquidity and profitability would significantly affect the firm value of listed non-financial firms in Nigeria. $B_{1-}\beta_{3>0}$

IV. RESULT AND DISCUSSION

4.1 Descriptive Statistics

To have a glimpse of the data used in the study, a first pass at the data in the form of descriptive statistics was carried out. This gives us a good idea of the patterns in the data used for the analysis. The summary statistics are presented in Table 4.1 below.

Table 4.1: Descriptive Analysis Result

	TQ	CR	NPM	FIRM_AGE
Mean	0.289066	0.420683	0.548678	45.26939
Median	0.163750	0.197000	0.031882	47.00000
Maximum	7.101926	31.61829	100.7037	102.0000
Minimum	0.017000	0.006000	-46.92310	0.000000
Std. Dev.	0.599104	1.458004	25.83322	19.43499
Skewness	8.051263	13.19684	15.96326	0.037408
Kurtosis	78.65947	240.7954	277.7298	2.660162
Jarque-Bera	244332.2	2337435.	3123577.	4.944396
Probability	0.000000	0.000000	0.000000	0.084399
Sum	283.2850	412.2693	537.7040	44364.00
Sum Sq. Dev.	351.3881	2081.135	653341.0	369786.9
Observations	980	980	980	980

Source: E-View 13 Output (2025)

Table 4.1 revealed the summary of descriptive statistics of the variables included in the model. It shows the mean values of 0.289066, 0.420683, 0.548678, and 45.26939 for TQ, CR, NPM, and FAGE, respectively. The standard deviation from the mean is 0.599104, 1.458004, 25.83322, and 19.43499 for TQ, CR, NPM, and FAGE, respectively, during the 2011 to 2024 study period. Further analysis shows the minimum values of 0.017000, 0.006000, -46.92310, 0.000000, and maximum values of 7.101926, 31.61829, 100.7037, and 102.0000, respectively. This implies that current ratio and net profit margin do witness a substantial increase during the study period, as the standard deviation is slightly higher compared to the mean. Kurtosis value measures the peakness and flatness of the distribution of the series. If the Kurtosis value is less than 3, it means the distribution of the variable is normal, but when it is more than 3, the distribution of the variable is said to be abnormal.

4.2 Correlation Analysis

Table 4.2 presents correlation values between dependent and independent variables and the correlation among the independent variables themselves. These values are generated from the Pearson Correlation output. The Table contains a correlation matrix showing the Pearson correlation coefficients between the dependent and independent variables and among the independent variables of the study. Generally, a high correlation is expected between dependent and independent variables, while a low correlation is expected among independent variables.

Decision Rule: The correlation between two variables must be between -1 and 1.

Table 4.2: Correlation Analysis Result

Covariance Analysis: Ordinary
Date: 05/21/25 Time: 11:37
Sample: 2011 2024
Included observations: 980

Correlation Probability	TQ	CR	NPM	FIRM_AGE
TQ	1.000000 -----			
CR	0.153942 0.0000	1.000000 -----		

NPM	0.019740 0.5371	0.017149 0.5918	1.000000 -----	
FIRM_AGE	-0.192466 0.0000	-0.077983 0.0146	0.065353 0.0408	1.000000 -----

Source: E-View 13 Output (2025)

Table 2 shows the correlation between the dependent variable, TQ and the independent variables of CR and NPM and also among the independent variables themselves on the other hand. According to Gujarati (2004), a correlation coefficient between two independent variables of 0.80 is considered excessive, and thus, certain measures are required to correct that anomaly in the data. From the table, it can be seen that all the correlation coefficients among the independent variables are below 0.80. This points to the absence of possible multicollinearity among the independent variables, and the correlation between the variables shows that there is a mix of both positive and negative correlations among the dependent and independent variables. There exists a positive and significant 15.3% correlation between TQ and CR, respectively indicating that the higher the TQ, the higher the CR. Furthermore, it is notable from the analysis that all the associations between and within the variables of studies are weak, thus signifying the absence of possible multicollinearity.

4.3 Diagnostic Test (Multicollinearity Test (VIF)

To ensure the rigidity of the measurements, multicollinearity tests were performed, using the Variance Inflation Factor (VIF) as the rigidity test. Multicollinearity occurs when one or more independent variables have a stronger influence on others, and this condition is a violation of the linear regression model, that so it may affect the validity of the outcome in any analysis.

Multicollinearity tests are performed to test whether there is a strong correlation between independent variables that may result in misleading results. However, collinearity diagnostics tests were performed using the variance inflation factor (VIF) to further confirm the absence of a multicollinearity problem between independent mutations. The results of the collinearity diagnostic test are presented in Table 4.3 below:

***Decision rule**: Medium VIF less than 10 indicates the absence of multi-collinearity, while VIF intermediate than 10 is a sign of multi-collinearity.

Table 4.3: Multicollinearity Test (VIF) Table

Variance Inflation Factors
Date: 05/21/25 Time: 11:51
Sample: 2011 2024
Included observations: 980

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
CR	0.000164	1.090134	1.006275
NPM	5.222107	1.004890	1.004437
FIRM_AGE	9.284207	6.497251	1.010294
C	0.002243	6.473237	NA

Source: E-View 13 Output (2025)

As noted above, the law of multicollinearity test rule uses a variance inflation factor that VIF value below which indicates a lack of multicollinearity, while a VIF value over 10 indicates the presence of multicollinearity. Table 4.3 above shows the absence of multicollinearity between independent variables, as all independent variables (CR and NPM) have VIF centers less than 10

4.4 Heteroskedasticity Test

A heteroskedasticity test was performed as a diagnostic check to verify the robustness of the estimates. Heterogeneous variance occurs when the standard error of the variable being monitored is not constant over time. Heteroscedasticity violates linear regression modelling assumptions and can affect the validity of analytical results. On the other hand, heteroscedasticity does not cause any bias in the coefficient estimates, but it reduces the precision, and less precise coefficients are more likely to be estimated. The estimates are far from the correct population values that have been removed.

***Decision Rule: Do not reject the null hypothesis if the P-value is greater than 5% level of Significance, otherwise do not reject** H_0

Hypothesis

H_0: The Error Variances are all Equal (Homoskedastic)

H_1: The Error Variances are not Equal (Heteroskedasticity)

***Decision Rule: Do not reject the null hypothesis if the P-value is greater than 5% level of Significance, otherwise do not reject** H_0

Table 4.4 Heteroskedasticity Test

Panel Cross-section Heteroskedasticity LR Test
Equation: EQ01
Specification: TQ C CR NPM FIRM_AGE
Null hypothesis: Residuals are homoscedastic

	Value	df	Probability
Likelihood ratio	2353.800	70	0.0670

Source: E-View 13 Output (2025)

Table 4.4 shows the results of the panel cross-section Heteroskedasticity regression test. The null hypothesis of the test states that there is no Heteroskedasticity, while the alternative hypothesis states that there is Heteroskedasticity. The null hypothesis is not to be rejected if the P value is greater than 5% level of significance. From the result in Table 4.4 above, with a ratio value of 2353.800 and a corresponding probability value of 0.0670, which is greater than 5%, the study therefore fails to reject the null hypothesis, showing that there is no Heteroskedasticity problem. Consequently, based on the diagnostic probability 0.0670, the null hypothesis is not rejected, thus there is no conditional heteroskedasticity, indicating that residuals are homoskedastic and as such the samples give a true reflection of the population.

4.5 Hausman Test

The Hausmann specification test is a model specification test used in panel data analysis to select between fixed and random effects models. Because the datasets utilised in this investigation were panel, both fixed and random effects regressions were performed. A Hausmann specification test was then used to choose between the fixed-effects and random-effects regression models. This test determined if the error term was connected to the regressor. As a result, the decision rule for the Hausmann specification test is presented at a 5% level of significance:

H_0: Random effect is more appropriate for the Panel Regression analysis

H_1: Fixed effect is more appropriate for the Panel Regression analysis

***Decision Rule**: Reject Ho if the cross-section random probability value is less than 5% level of Significance. Otherwise, do not reject Ho.

Table 4.5: Hausman Specification Test

Correlated Random Effects - Hausman Test
Equation: EQ01
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.779519	3	0.2863

Source: E-View 13 Output (2025)

The Result of the above Hausman test shows that the cross-section chi-square statistics value is 3.779519 while the probability value is 0.2863. This implies that there is enough evidence not to reject the null hypothesis, which states that the random effect is more appropriate for the Panel Regression analysis. Similarly, based on the Chi-Square (Chi^2) results, Prob > Chi^2 is 0.2863, which is greater than 0.05, thus, there is no reason to reject the null hypothesis ($H_{0)}$. The study, therefore, upholds that the Random Effect Model (Estimate) is the more appropriate model.

4.6 Breusch-Pagan Lagranger Multiplier Test (Pooled and Random)

In panel data analysis, the Lagranger multiplier test is used to select between pooled and random effects models. Because the dataset was a panel, both pooled and random effects regression analyses were done. The optimum model among the pooled-effects and random-effects regression models was then determined using a Breusch-Pagan Lagrangian multiplier test. At a 5% significance level, the decision rule for the Breusch-Pagan Lagrangian multiplier test is provided:

H_0: Pooled OLS Model is more appropriate for the Panel Regression analysis

H_1: The Random Effect Model is more appropriate for the Panel Regression analysis

Decision Rule: If the p-value is less than 0.05, the decision rule is to reject Ho. Otherwise, do not reject Ho.

Table 4.6: Breusch-Pagan Langranger Multiplier Test

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	567.1513 (0.0000)	2.969629 (0.0348)	570.1210 (0.0000)

Source: E-View 13 Output (2025)

Based on the probability value of the Breusch-Pagan Langranger Multiplier Test at a probability value of 0.0000, the null hypothesis is rejected, the random effect is more appropriate when compared to the pooled effect.

4.7 Test of Research Hypotheses

In panel regression analysis, the ultimate goal is the estimation of the relationship between dependent and independent variables. This goal can be achieved through the estimation of the coefficients of each independent variable in the model. The sign of the coefficients of independent variables indicates their relationship with the dependent variable, while the magnitude of the coefficients implies the responses of the dependent variables to the independent variables.

Decision Rule: The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV) and the Probability (F-statistic). If the PV is less than 5% or 0.05 (that is, if PV < 0.05), it implies that the regressor in question is statistically significant at 5% level; and if the PV is more than 5% or 0.05 (that is, if PV > 0.05), it is categorized as not significant at that level.

Test of Research Hypotheses

H_{o1} Current Ratio does not significantly affect the Tobin Q of listed non-financial companies in Nigeria.

H_{02}: Net Profit Margin has no significant effect on Tobin Q of listed non-financial companies in Nigeria.

Table 4.7 Panel Regression Result (Random Effect)

Dependent Variable: TQ
Method: Panel EGLS (Cross-section random effects)
Date: 05/21/25 Time: 11:55
Sample: 2011 2024
Periods included: 14
Cross-sections included: 70
Total panel (balanced) observations: 980
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.033217	0.094985	0.349705	0.7266
CR	0.030306	0.012851	2.358220	0.0186
NPM	7.401005	0.000690	0.107169	0.9147

FIRM_AGE	0.005371	0.001885	2.848756	0.0045
	Effects Specification			
			S.D.	Rho
Cross-section random			0.324300	0.3080
Idiosyncratic random			0.486137	0.6920
	Weighted Statistics			
R-squared	0.654382	Mean dependent var		0.107503
Adjusted R-squared	0.611352	S.D. dependent var		0.489115
S.E. of regression	0.486331	Sum squared resid		230.8416
F-statistic	4.747122	Durbin-Watson stat		1.817988
Prob(F-statistic)	0.000713			

Source: E-View 13 Output (2025)

Table 4.8 displays and analyses the panel random regression results of the explained variable proxied by TQ as well as the explanatory variables CR, NPM, and FAGE. Between the R^2 and the adjusted R^2, there is a range of values, 65.4% and 61.1%, respectively. The variation in the dependent variable (TQ) as a result of a change in the independent variables is explained by the R^2 of 65.4%. Therefore, it can be concluded that the independent variables have a combined predictive power of influencing the firm value of listed non-financial firms in Nigeria, with the remaining 34.6% being explained by other factors not included in the model. Furthermore, the regression results as presented above reveal an intercept of 0.033217, which is positive. This simply implies that when other variable is held constant, the Tobin's Q of listed non-financial firms increases by 0.033217.

Test of hypotheses

H_{o1} Current Ratio does not significantly affect the Tobin Q of listed non-financial companies in Nigeria.

The result, as shown in Table 4.7 above, shows that the current ratio has a coefficient value of 0.030306 and a probability value of 0.0186 ($p<0.05$). This finding shows that current ratio has a positive and significant effect on Tobin's Q of listed non-financial firms in Nigeria, which provides support for the alternative hypothesis. This finding means that a unit increase in Tobin's Q will result in a 0.030306 increase in current ratio, and the result is statistically significant.

H_{02}: Net Profit Margin has no significant effect on Tobin Q of listed non-financial companies in Nigeria.

The second hypothesis shows that net profit margin has a coefficient value of 7.401005 and a probability value of 0.9147 ($p>0.05$), which reveals a positive but insignificant relationship between net profit margin and Tobin's q of listed non-financial firms in Nigeria. This finding means that a unit increase in Tobin's Q will result in a 7.401005 increase in net profit margin, and the result is statistically insignificant. This result, therefore, leads to the failure to reject the null hypothesis stated above

Discussion of Findings

This study examined the liquidity and profitability of the firm value of listed non-financial firms in Nigeria. The study revealed that the current ratio has a significant positive relationship with Tobin's Q, indicating that the current ratio contributes positively to an increase in the firm value of listed non-financial firms in Nigeria within the study period. This aligns with the position of Oyindamola *et al*. (2020) and Etim *et al*. (2022) while negating the finding of Achema (2023). This study suggests that current ratio as a measurement of liquidity is associated with an increase firm value within the study period which can lead to financial stability and cash flow, and can also has positive impact on shareholders' returns, this study however did not consider other liquidity ratio and their effect on firm value.

The second hypothesis also revealed that net profit margin as a measurement of profitability has a positive but insignificant relationship with Tobin's Q, indicating that net profit margin is not likely to have any effect on Tobin's Q of listed non-financial firms in Nigeria within the study period. This position is consistent with the findings of Ashara *et al*. (2023), while disagreeing with the findings of Aigienohuwa and Uniamikogbo (2021). This study documented an insignificant relationship between net profit margin on Tobin's Q price, indicating that firms with a high percentage of net profit margin are not likely to achieve a good Tobin's q within the study period.

V. CONCLUSION AND RECOMMENDATIONS

This study investigates the effect of liquidity and profitability on the firm value of listed non-financial firms in Nigeria. Based on the study findings reached through the study objectives guided by the study hypotheses, the following conclusions were made: the study affirmed that liquidity has a positive and significant effect on the firm value of listed non-financial firms in Nigeria within the study period. On the other hand, the study concluded that net profit margin as a measure of profitability has a positive but insignificant effect on the firm value of listed non-financial firms in Nigeria. Based on the findings of this study, the following recommendations are made for effective management of listed non-financial firms on the Nigerian Exchange Group;

i. Based on this finding, it is recommended that the management of listed non-financial companies in Nigeria should continue to maintain an optimal current ratio that balances liquidity.
ii. The study recommended that the management of listed non-financial firms in Nigeria should focus on improving net profit margin by increasing revenue, reducing costs, and enhancing operational efficiency.

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