

Current Asset Management and Financial Efficiency of Quoted Oil and Gas Firms in Nigeria: An Empirical Investigation

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Abstract: This study using generalized technique of moment-based panel data regression techniques from 2015 to 2024 to evaluate the correlation between the management of current asset and the economic efficiency of publicly quoted oil and gas firms in Nigeria. The research examined financial efficiency in relation to the conversion of cash cycle, average collection duration, average payment duration, and inventory turnover duration. With regard to the financial achievements of oil and gas firms, the study came to the conclusion that variations that occur in the average payment period have a significant and positive influence. On the other hand, there is a significant negative response corresponding to changes in the process of cash conversion, the average collection period, and the turnover of the inventory duration during the timeframe that was examined. The research indicated that the holdings of oil and gas firms have to be easily transformable into liquid assets. The duration of the grace interval for borrowers may be shortened. Furthermore, while short-term liabilities may be collectible, the stock of incorporated oil and gas firms could be sold off.

Keywords: *Current Asset Management, Financial Efficiency, Oil and Gas Firms, Panel Data Regression.*

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I. INTRODUCTION

The fundamental objective of every enterprise is to enhance profitability, maximize shareholder value, and sustain its existence as an organization. The ability of firms to ensure enduring business continuity is intrinsically connected to the proficient administration of current asset, a vital aspect of financial management that greatly impacts a company's overall efficacy and sustainability. (Ohioda & Omoregha, 2024; Kiyamaz et al., 2024). Proficient administration of operational capital is crucial for attaining a company's fiscal well-being and operational efficacy, necessitating a harmonious strategy regarding growth, liquidity, and sustainability, which are indicative of effective business management (Lazaridis, 2021). Current asset management (CAM) involves overseeing accounts payable and receivable while maximizing inventory efficiency. The operating capital cycle, sometimes referred to as the process of cash conversion, involves the transformation of undeveloped resources into completed products, their promotion, and the collection of receivables. Expertly

managing this process is essential for maintaining liquidity, enabling everyday functions, and ultimately influencing a company's financial health. The administration of a firm's liquidity is growing more intricate due to digital evolution, fluctuating market conditions, globalization, and geopolitical instability.

Certain individuals believe that the fiscal outcomes of the firm are directly influenced by an extensive approach to current asset management (Mosisa, 2024). This requires a meticulous implementation of efficient CAM methods to enhance profitability and market worth, hence mitigating operational challenges (Bashaija, 2023). Current Asset Management emphasizes the effective administration of a firm's current assets and liabilities to optimize asset yields (Kumar, 2024). The primary aim of CAM is to empower businesses to efficiently oversee operational expenses and meet short-term debt obligations by maintaining strong cash flows (Maudah, 2022). Therefore, it is imperative for finance professionals to implement appropriate methods for overseeing current asset,

therefore improving profitability and generating value for stakeholders. While profitability is a vital goal, it is essential to strike a balance between profitability and liquidity to avert insolvency issues (Quaye & Ibrahim, 2021). As a result, CAM aims to maintain equilibrium among its many components (Eloundou, 2024). A lack of comprehension about the impact of current asset on profitability, coupled with inadequate management planning and oversight, might result in insolvency and bankruptcy (Sensimi & Va'zquez, 2021).

The capacity of businesses to address industry obstacles and capitalize on development prospects relies on the proficient administration of current asset, an essential factor for improving the financial results of oil and gas firms. A deficient CAM system hinders the organization from meeting its financial commitments or increasing its income. In Nigeria, several firms lack sufficient working assets to fulfill their obligations owing to ineffective current asset management, leading to financial insolvency, legal issues, asset bankruptcy, and potential economic downfall. The repercussions include inadequate capacity utilization within businesses, burdensome taxation, deterioration of infrastructure, a shortage of domestic raw material resources, inconsistent fiscal policies, and a skewed foreign exchange market, all of which have adversely impacted the financial outcomes of oil and gas firms in Nigeria. Furthermore, holdups in port clearance and inadequate transportation infrastructure have adversely impacted the financial condition of firms. Studies demonstrate that firms exhibiting exceptional current asset management typically surpass their competitors regarding profitability and asset returns. Studies indicate a favorable relationship between current asset efficiency and comprehensive financial efficiency in the oil and gas sector, underscoring the significance of strategic management in this domain (Abdullahi et al., 2020).

Notwithstanding the extensive research on CAM in existing literature, empirical investigations inside the sector are very few, particularly in the Nigerian setting. Notwithstanding the limited study present, the factors demonstrate insufficient examination, despite their substantial importance. This research investigation clarifies the distinctive traits of CAM and its relationship with financial efficiency, assisting managers and policymakers in implementing more effective financial strategies (Aldubhani, 2022). This study will strengthen the fiscal resilience of publicly quoted oil and gas firms in Nigeria. (Bakare, 2023). The rationale for this study stems from the distinctive challenges faced by the publicly quoted oil and gas sector, such as foreign exchange fluctuations, regulatory shifts, and global market instability, which were particularly evident during the Covid-19 epidemic (Baker, 2019). Current asset Management (CAM) directly affects cash flow, greatly influencing growth potential, which might hinder the ability to fulfill responsibilities and shield businesses from economic downturns (Dewi, 2019). This study aims to address the gap in examining the relationship between current asset management and financial success.

This article aims to analyze the influence of managerial current asset management on the financial outcomes of oil and gas firms quoted on the Nigerian Exchange Group. The sector necessitates substantial capital expenditures and is particularly vulnerable to variations in global markets, necessitating adept operational capital management that may significantly influence liquidity, profitability, and sustainable growth. The structure of the paper is distinctly coherent. Subsequent to the introduction, the second portion provides a comprehensive overview of pertinent literature, whilst the third section delineates the methodology of the study. Part four outlines and examines the results, whilst part five wraps up the study with recommendations for policy.

II. THE LITERATURE

➤ *Conceptual Issues*

The active connection that exists between current liabilities and current assets is essential for managing current asset. Badrane and Bamousse (2025) characterized current asset management as an accounting strategy focused on sustaining ideal ratios of current assets to current liabilities. Fayad and Altawalbeh (2024) contended that effective management of current asset necessitates judicious investments in cash, marketable securities, inventory, and receivables. Furthermore, it entails exercising judicious judgment on the scale and framework of temporary financing. Golas (2025) observed that the administration of current asset mostly entails short-term decisions relevant to the forthcoming year, which are inherently fluctuating. These assessments contrast with capital investment choices since they are based on cash flow and profitability factors. This underscores the critical significance of overseeing current asset in a company's pursuit of enhanced profitability.

Financial efficiency refers to an organization's capacity to provide adequate resources for its operational endeavors within a specified timeframe (Murori & Aringo, 2025). It assesses the whole financial condition of a company over a specified timeframe and enables efficiency comparisons against analogous firms within the same industry or across different sectors (Rompatis, 2024). The primary resource for assessing organizational productivity, particularly in terms of financial success, is the financial statements produced by accounting. The financial situation statement lists a company's assets, debts, and ownership. The profit and loss statement and other total income lists the company's income, costs, and gains for a certain time period. Additionally, it encompasses the cash flow statement, detailing the origins and applications of cash throughout a designated timeframe, as well as the statement of changes in owners' equity, which depicts alterations in the owner's financial standing (Adelin, 2023). The computation of the monetary ratios, which illustrate the relationships among figures in the financial statements, is often used to indicate financial efficiency. The financial ratios could include the evaluation of profitability, effectiveness, financing, borrowing capacity, and investments of a certain entity. Moreover, strong financial efficiency is often shown by both market-focused

(investor returns) and accounting-focused (accounting returns) indicators (Saqib & Ibrahim, 2025). Return on equity, net profit margin, return on assets, and Tobin's Q are just a few of the many metrics that can stand in for actual financial success.

➤ *Theoretical Issues*

• *Trade Off Theory*

The proposition put out by Kraus and Litzenberger (1973) contends that businesses face a dilemma between maintaining sufficient liquidity and maximizing profitability through proficient current asset management (CAM). Organizations must equilibrate the preservation of enough liquidity to meet immediate liabilities with the efficient use of resources to generate profits (Frank & Goyal, 2009). The fundamental principle of this approach is to guaranty that enterprises had sufficient liquid capital to meet their everyday operating requirements. This includes the management of inventory, receivables, and payables. Entities can guaranty seamless operations and avert interruptions stemming from cash flow deficiencies by sustaining sufficient liquidity and resources to fulfill these commitments (Fama & French, 2002). On the other hand, firms must also take into account the opportunity cost associated with maintaining high levels of current asset. An overabundance of cash immobilized in inventory or accounts receivable might result in lost investment prospects or diminished investment yields (Kabir & Nguyen, 2008). This is the juncture at which the concession transpires. An overabundance of current asset might threaten a company's prospective profitability, whilst insufficient current asset may render them vulnerable to liquidity challenges.

• *Pecking Order Theory*

Myers and Majluf (1984) suggest that organizations uphold a favored order for financing their activities and initiatives. Organizations rank their capital sources according to expense and accessibility, as per the principle. The concept posits that firms choose internal funding, such retained earnings, because it incurs no additional expenses or external obligations. When internal funding is inadequate, organizations may seek external financing, which might manifest as loan financing or equity financing (Chen, 2004). Debt financing, including loans or bond issuance, allows firms to get cash and then return it with return over time. It is often seen as a more cost-effective approach to finance than equity fundraising (Myers, 1999). under the absence of available debt financing or under unfavorable circumstances, firms could choose for equity financing instead. The idea asserts that firms prioritize internal funding first, then resort to loan financing, and last consider equity financing. Acknowledging that a firm's funding decisions are influenced by several factors, including its specific circumstances, market conditions, and strategic objectives, is crucial.

➤ *Empirical Review*

Various results have been obtained from a myriad of research studies that have evaluated the correlation between the financial efficiency of oil and gas firms and current asset management. Ironkwe and Wokoma (2017) looked at the connection between Nigerian oil firms' financial results and current asset management. Earnings per share, return on equity, and return on assets were used as financial success indicators in the study. The independent variable was investment and finance rules. Investment and financial restrictions considerably boost ROA, have a modest and neutral relationship with EPS, and a negligible negative impact on ROE, according to the Pearson product moment correlation. The report recommended a comprehensive assessment of the current asset management and financial efficiency trends of oil firms in Nigeria.

By combining pooled ordinary least squares (OLS), fixed effects, and creative random effects models using data collected from 2008 to 2018, Abdullahi et al. (2020) examined how current asset management affected the economic health of publicly traded oil and gas businesses in Nigeria. The research delineated three primary facets of Current asset Management: inventory control, accounts receivable, and accounts payable. The research revealed that the management of accounts receivable adversely affects the financial success of Nigerian oil and gas firms, but managing inventory had no significant influence on financial outcomes. The research shown that the management of accounts payable significantly improved the financial efficiency of oil and gas firms in Nigeria. The study advised that oil and gas firms engage specialists for inventory oversight and conduct a thorough credit assessment prior to extending credit sales.

Mbawni and Wimako (2020) examined the influence of managerial current asset on the economic viability of non-financial sector firms in Pakistan over the years 2006 to 2015. The research specifically examined the impact of inventory turnover on profitability, using profit from investment, return on assets, and gross profit margin as dependent variables. The findings, obtained from a panel dataset of 79 firms using a standardized Generalized Method of Moments (GMM) methodology, indicated that the inventory ratio does not substantially influence ROA or ROE, although it does affect the net income margin ratio. Conversely, inventory turnover substantially influences the sales growth ratio, net current asset, and the scale of the organization. The study indicates that management need to prioritize factors essential for evaluating profitability.

Michalski (2021) analyzed data spanning from 2012 to 2016 to evaluate the impact of average collection duration on the financial outcomes of utility service providers in Kenya, specifically Nzoia Water Services Company. The research mostly examines accounts receivable, particularly for suppliers of services using the post-payment approach. The research utilized a regression method and discovered that the mean collection period adversely affected financial efficiency,

yielding a coefficient of -0.505. The research recommends that management consider reducing the average collecting period to enhance financial results.

Cuervo (2023) investigated the impact of Current asset Management (CAM) on corporate efficiency using samples from firms across different regions. The inquiry uncovered an adverse correlation between CCC and corporate value as well as profitability, reinforcing the idea that a vigorous current asset strategy might improve business efficiency. However, the research observed that this impact lessens when organizations operate below a reduced CCC threshold. The outcomes remain consistent despite tackling internal challenges, variations in macroeconomic circumstances, degrees of economic advancement, and fiscal constraints.

In Tanzania, Mulenga and Mndeme (2024) evaluated the correlation between the average payment duration and operational cash flow across consumer products manufacturing firms, utilizing a sample of twenty publicly traded firms in the sector. The panel data regression analysis indicated a notable adverse impact of average payment duration on investment cash flow. The research advised that bank executives oversee payments for credit acquisitions to preserve the company's liquidity while upholding favorable credit arrangements with vendors.

Kiymaz et al. (2024) executed a research project utilizing firms from both advanced and emerging economies to examine the impact of current asset on business efficiency, while accounting for firm-specific and macroeconomic variables. The currency conversion cycle significantly harmed business efficiency in both developed and developing nations, according to the study, which used panel data regression analysis. The study revealed that company-specific elements including scale, profitability, expansion, and debt influenced the effectiveness of current asset management (CAM). The management of a business's cash reserves was influenced to different extents by nation-specific elements including the country's GDP, inflation, and interest rate.

Mosisa (2024) examined the correlation between current asset management and financial efficiency, as measured by return on assets and return on equity, of certain publicly traded firms in Ethiopia from 2012 to 2018. In this research, financial efficiency was used as the dependent variable, while the independent variables were business size, debt, and cash conversion cycle (CCC). A variety of statistical methodologies, such as the use of multiple regression, analysis of correlation, and descriptive data analysis, were used in the research. The research suggests that although a CCC has a little beneficial impact on ROA, it considerably influences ROE. The dimensions and responsibilities are shown to considerably

influence ROA and ROE. Organizations want to emphasize strategies and policies that reduce the CCC to enhance profitability and business worth, as shown by this data.

In a pertinent study, Ohidoa and Omoregha (2024) recorded the impact of current asset management on the financial efficiency of oil and gas firms quoted on the Nigerian Exchange Group. The OLS technique was employed for the examination, revealing that WCFP and CAM had a substantial beneficial influence on ROCE and a notable adverse effect on ROCE. The study suggested that the currency exchange procedure be scrutinized to prevent dormant cash stockpiles, staff embezzlement, and cash shortfalls.

In a related study, Okolo et al. (2025) examined how Nigerian revenue generation was affected by value-added tax from the digital economy and information technology funds. The researchers used a survey design to examine 500 respondents, including 450 internet users and 50 Federal Inland Revenue Service officials selected from a population of 4.4 million phone users. The results demonstrated that while the digital economy positively impacted total revenue streams and promoted technology use, electronic transfer funds considerably increased revenue generation. The study's conclusions show the growing significance of digital technology and electronic financial systems in enhancing revenue-related outcomes in Nigeria, even though it did not specifically look at current asset management or the financial efficiency of oil and gas firms.

III. RESEARCH METHODOLOGY

The model developed in this study is similarly to that earlier utilized by Cuervo (2023) as follows:

$$ROA = \beta_0 + \beta_1 CCC_t + \beta_2 ITP_t + \beta_3 APP_t + \beta_4 ACP_t + \varepsilon_t$$

Where:

ROA= Return on assets at time t

CCC= Cash conversion cycle at time t

ITP= Inventory turnover period at time t

APP= Average payment period at time t

ACP= Average collection period at time t

β_0 = Intercepts

β_{1-4} = coefficients to be estimated

A favourable correlation is anticipated between financial success and the metrics of current asset management for the period from 2015 to 2024. Table 1 presents the operational definitions and measurements of the chosen variables for the investigation.

Table 1: Operationalization of Variables

Variable Types	Proxies	Measurements	Author
<i>Dependent Variable</i>			
ROA	Return on Assets	Proportion of net earnings to total assets	Mosisa (2024).
<i>Explanatory variables</i>			
CCC	Cash conversion circle	Evaluates the organization's effectiveness in administering its operational assets	Kiymaz <i>et al.</i> , (2024)
ACP	Average collection period	Total receivables divided by total credit, then multiplied by days in the period	Michalski (2021)
APP	Average payment period	A year's worth of average trade payables divided by the cost of sales	Golas (2020)
ITP	Inventory turnover period	Company output as a percentage of sales cost times 365	Eloundou (2024)

Source: Author's compilation 2025

IV. RESULTS AND DISCUSSION

Table 2: Unit Root Test Results

Variable	Levin, Lin & Chun t* statistic	Fisher ADF test	Comment	Result
ROA	-0.40(0.03)*	-2.13(0.01)*	Individual intercepts	Stationary
CCC	-1.41(0.02)*	-19.07(0.00)**	Individual intercepts and trends	Stationary
ACP	-2.51(0.00)**	-1.27(0.01)*	Individual intercepts and trends	Stationary
APP	-2.04(0.04)*	-2.12(0.00)**	Individual intercept	Stationary
ITP	-1.08(0.00)**	-2.55(0.00)**	Individual intercept	Stationary

Source: Extracted from Eview 13

➤ Probabilities are in Parentheses. **, * Imply Rejection of Null Hypothesis of no Unit Root at 1% and 5% Level of Significance Respectively.

The results of the unit root analyzes using the Fisher Augmented Dickey-Fuller test for separate unit roots at the 1% and 5% significant thresholds and the Levin, Lin, and Chu t* test for a shared unit root are shown in Table 2. Results showed that the variables were stationary at the 1% and 5% levels of significance, respectively. This suggests that none of the variables display a unit root, either individually or collectively, indicating that the seasonal variations have been resolved, making them appropriate for further analysis using regression techniques.

➤ GMM Panel Data Estimations

Table 3 displays the results of panel data employing pooled OLS, fixed effects, and random effects estimations. An examination of the data revealed that the models have a significant fit, as the R² values are quite substantial and account for 76% of the variability in return on assets in the oil and gas industry. The model exhibits an absence of serial correlation, evidenced by the DW statistic of 1.95, which falls within the non-autocorrelation interval of 1.59-2.41. Moreover, the F-statistic demonstrates that every model is statistically significant.

Table 2: Results of GMM Panel Data Regressions Dependent Variable: ROA

Variable	Pooled OLS	Fixed Effect	Random Effect
Constant	0.1611(0.00)**	0.1611 (0.00)**	0.1611(0.00)**
CCC	-0.0002(0.00)**	-0.0002(0.01)*	-0.0002(0.01)*
ACP	-0.0026(0.22)**	-0.0026(0.02)*	-0.0026(0.01)*
APP	0.0009(0.03)*	0.0009(0.00)**	0.0009(0.00)**
ITP	-0.0007(0.03)*	-0.0007(0.01)**	-0.0007(0.00)**
	R ² = 0.76 F-stat = 84.01 DW = 1.94	R ² = 0.76 F-stat = 21.73 DW = 1.95	R ² = 0.76 F-stat = 84.09 DW = 1.95

Source: Extracted from Eview 13

➤ *Probabilities are in Parentheses. **, * Imply 1% and 5% Level of Significance Respectively.*

The Hausman test demonstrated that the fixed effect model is more appropriate, despite the absence of a significant difference between fixed effect and random effect models. All four factors are statistically significant in explaining fluctuations in asset returns. Return on assets was unfavorably influenced by inventory turnover, average collection time, and cash conversion cycle, but positively by average payment period. During the examined period, a return on assets of 0.0007% is produced by a one-unit increase to the average payment period, a return on assets decline of 0.0002%, and a return on assets decline of 0.0026% from an average collection period and an inventory turnover period of the same percentage. These results corroborate the studies performed by Mbawni and Wimako (2020), Michalski (2021), Cuervo (2023), Mosisa (2024), and Kiyamaz et al. (2024).

V. CONCLUDING REMARKS

The study examined the correlation between the financial outcomes of oil and gas firms and their management of current asset in Nigeria. The central thesis of the research is that recognizing the characteristics that substantially influence an organization's financial outcomes might enhance the sustainability of publicly quoted oil and gas firms and foster stakeholder engagement in their operations. The objective of the research was to identify the elements that influence financial efficiency. These elements incorporated the cash converting cycle, the mean collection duration, the mean payment duration, and stock turnover period. The research used a panel data approach including shared ordinary least squares (OLS), fixed consequences, and random effects techniques, using the generalized method of moments.

The study revealed that the typical payment period significantly enhances the financial efficiency of firms in the oil and gas sector. The study indicates that inventory turnover, typical collection duration, and process of cash conversion adversely impacted the financial efficiency of enterprises throughout the evaluation period. The primary conclusion of the research indicates that certain criteria, which differ based on the characteristics of the examined firms and the respective sectors, are essential for improving the financial outcomes of oil and gas enterprises.

To enhance the firm's liquidity, the study advised that the leadership of publicly quoted oil and gas firms should use measures to accelerate the transformation of inventories, raw materials, and finished products into cash. To reduce standard collection and payment durations and prevent superfluous interest expenses on credit lines, management could choose to shorten the grace period for borrowers. Ultimately, publicly traded oil and gas firms may develop techniques to expedite the divestiture of their equities, hence increasing corporate turnover.

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