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# STRATEGIC FINANCIAL MANAGEMENT AND VIABILITY OF MANUFACTURING INDUSTRY IN NIGERIA

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**ABSTRACT**

*This study utilized an ex-post facto research approach to examine how changes in financial management methods affected the profitability of manufacturing businesses. The sample for this investigation consists of all Nigerian manufacturing firms that were in operation during the years 2000 and 2019. The information utilized in the study was secondary, and it was gathered from sources including the Manufacturers Association of Nigeria (MAN) 2020 and the Statistical Bulletinof the Nigerian Stock Exchange (NSE) (now the Nigerian Exchange Group). Estimation of the timeseries data for the study period was performed using an ordinary least squares (OLS) inferentialstatistical model. All variables of financial management practices (FMP), including working capital management, capital structure management, and capital budgeting management, were found to have a positive monumental effect on return on asset, leading to the study's conclusion that FMPshave a substantial effect on the viability level of manufacturing corporations. In addition, it wasrecommended that manufacturing company management study the causes and effects of theconnections between various facets of financial management and profitability in order to boostperformance by better managing capital structure. To achieve this goal, manufacturers shouldinstitute stricter credit policies and ensure that proper capital planning is ingrained in all aspectsof business operations.*

***Keywords: Working capital, Capital structure, Capital budgeting, management and Profitability***

## INTRODUCTION

It is impossible to overstate the significance of sound financial management, as many of the causes of business failure are amenable to correction through the implementation of strategies and financial practices that propel the expansion and successful completion of manufacturing industriesand other organizational goals (Savan & Babu, 2015). Financial considerations are the primary reason for economic hardship (Memba & Nyanumba, 2013). All financing strategies should ultimately lead to wealth creation, and the quickest way to evaluate the merits of a given financingoption is to consider how it affects the association's actual implementation (Kegode, 2010). The field of study known as "Financial Management" analyzes the methods and data utilized to make business financial decisions. Long-term and short-term choices and methods may serve as dividinglines within the field as a whole. Both aim to maximize a company's worth by lowering its cost of capital and increasing its return on investment (Pandey, 2010).

According to Gitman (2011), the terms time, money, and risk all have some kind of interconnectedness that must be taken into account while managing finances. From an individual'sstandpoint, financial management entails adjusting outlays in light of income, while from an organization's point of view, it's linked to strategic financial planning and regular cost audits. Thecore tenet of the modern method of financial management is the provision of a theoretical and analytical structure within which to make fiscal choices. The efficient utilization of resources is emphasized. Investment choices, financing choices, and dividend choices are the

three pillars uponwhich this method of financial management rests (Brealey & Myers, 2007). "Financial management methods" refer to approaches to planning, organizing, directing, and managing financial processesincluding procurement and the efficient use of cash (Lasher, 2010). All commercial dealings are conducted in a systematic and well-managed fashion because of this. It has been argued that effective financial management methods can have a beneficial effect on a company's profitability and productivity. Both Pecking Order Theory and Contingency Theory help us understand how thecapital structures of manufacturing businesses may be optimized, with the former arguing that operational efficiency can only be achieved through a good match between corporate settings andthe functioning of the financial system (Gormoma, 2014).

Companies' financial management needs have grown more complex as a result of the global business climate being more volatile and uncertain in recent decades. Businesses use a variety of strategies to stay competitive, but one of the most crucial is careful management of their finances. Strategic financial management was therefore devised (Narula & Duning, 2010). The following are exemplified as strategic financial management methods by Ghadomu and Thaeer(2008): investment methodology (capital budgeting decision). A "investment choice" is the word used to describe managing a company's long-term investments. A capital budget may be used toevaluate the value of significant expenditures in things like equipment, structures, goods, and R&D. Discounted cash flow techniques and non-discounted cash flow techniques (payback periodand the accounting rate of return) are two categories of capital budgeting strategies that Grahamoutlines (2007). (Payback term with discount, profitability index, IRR, and Net Present Value)

Capital budgeting refers to the process of allocating resources to long-term assets, whereasworking capital management focuses on the management of short-term liquid assets. The choiceof financing source, financing length, financing cost, and financing return all affect the total amountof capital raised. The choice to pay a dividend is a decision on how earnings will be distributed. This necessitates determining how much money should be kept and how much should be given toshareholders (Brealey & Myers, 2007). Profitability and financial stability may both be increased via the application of good financial management methods. It is widely accepted that the growth of a country's economy is directly proportional to the number of manufacturing jobs available there(Levy, 2015). Their unique character not only allows them to supply a broad variety of goods, butalso makes them excellent places to find work. Financial difficulties, mismanagements of money, and a lack of long-term funding to fulfill operational costs and capital expenditures are commonplace in the manufacturing sector, but poor financial management techniques are a majorcause of failures in this industry (Brigham & Ehrhardt, 2010).

Both emerging and established nations have come to understand the value of sound financial management methods in facilitating the efficient operation of businesses and other organizations. Managers' knowledge of their company's financial health and their confidence in their capacity to fulfill future financial commitments are both enhanced by sound financial management methods (World Bank, 2014). That way, money can be managed effectively, and it also makes it easier to plan ahead. In this way, sound financial management procedures serve asa vital instrument in preventing businesses from going under (Harash, 2014). This is especially crucial for industrial organizations, where a mismatch in financial management methods is very likely to have a substantial adverse effect on performance.

The Nigeria Economic Survey 2016 concluded that the manufacturing industries' modest growth rate of 4.3% per year was indicative of their comparatively low performance compared toother sectors of the economy. Manufacturing companies have trouble with financial output due to the unstable business climate and a lack of knowledge about financial management

procedures. As a result, most manufacturing enterprises are unable to service their loans and gain an edge over their more established and well-funded Market competitors. Furthermore, low transparency levels and the prevalence of fraud due to poor financial management procedures have a negativeimpact on financial returns. As a result, there has been a plethora of research aimed at pinpointing the precise nature of the connection between financial administration techniques and the successof manufacturing businesses. In addition, there is a dearth of locally performed studies because most research has been done in the industrialized world. Therefore, it is not clear from the existing literature how exactly the financial performance of the manufacturing organization may be improved by implementing financial management strategies. This investigation set out to fill that informational void and sought to discover how different financial management strategies affect manufacturing firms' bottom lines.

The main objective of the study is to examine the impact of financial management practiceson productivity level of manufacturing industries in Nigeria. In line with the research gap of the study, the following tentative propositions are made:

Ho1: Working capital management has no momentous impact on the viability level of themanufacturing companies.

Ho2: Capital structure management has no substantial impact on the productivity level of themanufacturing companies.

Ho3: Capital budgeting management has no noteworthy impact on the viability level of the manufacturing companies.

The following segment of the inquiry qualitatively and positively reviewed concepts,theory and empirical literature imperative.

**Relevant LiteratureConceptualization**

**The Practice of Financial Management**

Gitman (2011) defines financial management as the branch of business management concerned with the prudent allocation of cash and the cautious selection of capital sources to facilitate the achievement of an organization's objectives. This concept emphasizes two basic tenets of sound financial management: making efficient use of available money and steering the company towardits stated objectives. Oduware (2011) argues that a crucial part of financial management is anticipating a company's cash flow needs in order to make plans for the future. Managing a company's finances entails a wide range of actions, including budgeting, investing, spending, andsecuring funding. The terms "financial planning" and "financial control" are sometimes used interchangeably when discussing the process of "financial management" inside a business. The goal of financial planning is to estimate the total amount of money that will be available and to schedule large and little purchases accordingly. The effects of the yearly budget process, internal control, financial reporting, and tracking will be the primary areas of investigation in this study (Soludo & Adenikinju, 2017).

Management of capital structure, financial reporting analysis, and the oversight of workingcapital are all examples of what we mean when we talk about "financial management techniques"here.

**Fixed Asset Management (FAM)**

While this theory primarily addresses intangible assets, there is little doubt that investments in fixed assets may boost a company's competitive position in the long run. Large, one-time paymentsare typical with capital equipment purchases. Investing in new machinery and tools often necessitates a large financial commitment, which may run into the millions of dollars. Investing inmachinery and other capital equipment is best done using surplus funds rather than operating funds. The initial investment in capital equipment is just one part of the whole cost of

ownership (Hugo, 2006). Investing in new capital equipment is not something that happens on a regular basis. It's not actually part of the final product, but rather it's consumed gradually during the manufacturing process. Due to the lengthy lifespan of equipment, it may be several years before it has to be changed, and by that time, it may be technologically outdated. Capital equipment may be a sourceof revenue for a business if the investment is done wisely. If the company makes the wrong choice,it might crash and burn because it would lose the ability to quickly recoup its investment in capitalequipment. Top management should proceed cautiously when investing in capital equipment dueto the factors mentioned above, say Burt, Dobler, and Starling (Hugo, 2006).

**Capital Structure Management (CSM)**

Management of a company's capital structure is referred to as "capital structure management" (CSM). The capital structure of a business is its overall finance strategy. Debt and equity both playimportant roles in financing most businesses. The cost of capital for a business is calculated by giving equal weight to the various parts of the capital structure. The WAC of Capital is then determined for the firm (WACC). For capital planning purposes, the NPV is determined by discounting the future cash flows of an investment back to the present using the WACC. Since a lower WACC results in a larger NPV, doing so is always preferable (Romney 2009).

**Working Capital Management (WCM)**

Decisions about working capital and short-term finance fall within the purview of WCM. Controlling the balance between a company's short-term assets and liabilities falls under this category. The goal of WCM is to make sure there's enough money coming in to pay for things like short-term debt that's coming due as well as ongoing business costs. Cash flow management, accounts receivable and payable management, and inventory management are all part of the broader scopeof WCM (Garrison, 1999).

**Financial Performance Measures**

There is a plethora of KPIs from which businesses may be evaluated. ROI, ROA, ROCE, CBA, andEVa are some of the most prevalent traditional metrics used in business (EVA). All of these quantifiable indicators are covered in this analysis (Waddell, 2000).

**Return on Investments**

This is a metric for determining how well an investment has performed, or for comparing the results of several investments. ROI is the percentage or ratio obtained by dividing the gain (return) from an investment by its initial outlay. Return on Investment (ROI) = Gain minus Expenses Expenditure for Capital For purposes of the aforementioned calculation, "gains from investment" is the amount of money gained through the sale of the investment or interest. The ROI is a widely used metric due to its adaptability and ease of usage. If the expected return on investment (ROI) is negative or if a better alternative exists, the investment should not be made (Premchand, 2018).

**Return on Assets**

Measures how profitable a company is relative to its total assets. The efficiency with which a corporation manages its assets may be gauged by looking at its return on assets (ROA). Divide the company's annual profit by its total assets to get the earnings to asset ratio. This is how things have turned out: EBIT (Net Income) divided by Total Assets (NA) is the formula for Return on Assets (ROA) (expressed as a percentage). Calculating the ROI shows how much profit was generated from asset investments (assets). Variation in return on investment (ROI) is common among publicly listed companies and is strongly impacted by the industry in which the firm

operates (Lewis 2005).

**Return on Capital Employed**

According to Zadek (2004), ROCE reveals how fruitful a company's capital expenditures were. It'sa crucial indicator of a company's financial health and one of the most widely utilized operational ratios. It is usually represented as a percentage and provides insight into the company's industry,the effectiveness of management, and even the state of the economy. A high rate of return on capital invested is a strong indicator of a prosperous business.

ROCE = PBIT (Net Income)/ Capital Employed

Where: Capital Employed = Total Assets–Current Liabilities = Equity + Non-Current Liabilities

**Manufacturing Industry and Growth and Development of Nigeria**

There is a correlation between the number of industries in a nation and its level of industrialization; more factories indicate a more developed economy since they provide better employment opportunities, which in turn increases the average income of the population as a whole. It is possible to assist the growth of necessary facilities by constructing good roads to regions with abundant raw materials and situating industrial facilities near these places. Manufacturing in Nigeria, which is located close to Nigeria's oil reserves, has boosted the country's GDP through the revenue generated from exporting manufactured goods. One of the nation's ultimate macroeconomic goals is to increase employment, and the manufacturing industry, as oneof the largest, plays a vital role in this regard by creating jobs for people with varying degrees of education and training. Increase available labor force because some individuals receive on-the-jobtraining in the manufacturing sector to acquire the skills necessary to operate specific machinery or carry out specific tasks; Additionally, manufacturing can facilitate the availability of a wide variety of necessities, facilitate the transfer of knowledge, and even boost bilateral relations, particularly in the realm of commerce, with other countries (Soderbom & Teal, 2015).

**Theoretical Review**

The study is premised on Modern Portfolio Theory as scholarly highlighted below in accordance with the subject matter 'management account practices' effect on the performance of manufacturing companies in Nigeria.

**Modern Portfolio Theory**

Harry Markowitz created the Modern Portfolio Theory as a framework for making strategic decisions in financial management. Its development from the 1950s to the early 1970s represents a seminal step forward in the field of financial mathematics. The theory provides insight into the ways in which businesses handle their finances, and in particular the financial risks associated withmanagement choices. The theory provides a numerical representation of the dissimilarity betweenthe portfolio's overall risk and the risks associated with the portfolio's assets when considered separately (Amenc & Le Sourd, 2003). According to the idea, an investment portfolio is optimal ifand only if its holdings generate high returns or minimal risks. Negative returns can be mitigated by accurately anticipating the potential risks and potential rewards. This opens up the possibility of diversifying one's holdings in order to reduce vulnerability to loss (Brealey & Myers, 2003). By dividing the anticipated production by the consumed resources and factoring in the risks at stake,one may calculate the expected returns (Markowitz, 1952). The theory's implications for the research include that businesses, including manufacturing enterprises, should not only invest extensively in a variety of financial instruments, but also assess the risks associated with doing so.That's why it's so important to have a solid financial risk management plan in place so that you can fall back on other strategies if things go wrong with your current

methods. The idea provides a framework for improving the consistency of manufacturing companies' financial management processes, which in turn has a beneficial effect on the companies' bottom lines.

**Empirical Review**

Nkume (2018) looked into how management accounting impacts the bottom line of Kenya's industrial firms. This study employed a descriptive survey as its research strategy. This study primarily looked at the 455 manufacturing companies in Kenya. An method known as stratified random sampling was used to select the sample size since it was hypothesized that the population across the various manufacturing firms was varied. Forty-six Nairobi-based factories were included in the research. Respondents provided the study's primary data. Quantitative and qualitative information was gathered. In contrast to the numerical values conveyed by quantitative data, the descriptions provided by qualitative data fall under the category of categorical measurements. Precise numerical measurements are provided by quantitative data. Information is given in the form of tables and figures after being processed with SPSS (Statistical Package for the Social Sciences). Researchers found that among Kenya's manufacturing firms, information for decision making procedures ranked highest, followed by strategic analysis, budgeting, performanceassessment, costing, company size, and leverage. Applying management accounting methods hasresulted in a higher ROE; Net income divided by Average Equity. This is because the managementaccounting function pinpoints critical aspects that impact performance and high-risk areas that need modifications.

Nguyen (2011) set out to investigate how different methods of financial management affected the success of Nigeria's SMEs. He zeroed particularly on financial management techniquesand characteristics, showing how both have an effect on small and medium-sized enterprise (SME)profitability. In addition, he analyzed the methods used by 99 retail and 51 production SMEs to manage their fixed (non-current) assets. Nearly 80% of SMEs, he found, constantly or frequentlyanalyze the effectiveness of employing fixed assets following purchases and evaluate capital projects before making investment decisions. Capital planning strategies employing payback periods were used by 87% of SMEs, while only 27% used more advanced discounted cash flow approaches including NPV, IRR, and modified internal rate of return (MIRR) (MIRR). These findings suggest that small and SMEs place a high priority on fixed asset management despite their lack ofextensive management experience.

Stanch (2016) investigated the relationship between environmental management accounting processes and reports and the efficiency of organizations. The study's specific goal is to identify factors that might enhance the sustainability of EMA at universities in south-west Nigeriaby examining current accounting processes for managing the substantial environmental expenses.The research used a descriptive survey methodology with a predetermined set of questions and asampling strategy that combined stratified random and purposeful selection. The research showedthat environmental management accounting is not widely used in South West Nigerian institutionsat the present time. The survey also showed that a lack of environmental responsibility and accountability, as well as other issues, are contributing to the sluggish rate at which EMA is beingadopted in institutions across South West Nigeria. Therefore, we contend that the slow adoption of EMA by universities in South West Nigeria is due to a failure to appreciate management accounting's potential to improve environmental performance.

In 2017, Eugine and Michael examined the connection between management accounting practices (MAPs) and the prosperity of SMEs in South Africa. Few studies have examined the bearing of management accounting on the bottom lines of South African SMEs, despite the expanding body of research on SMEs. The study employed a statistical approach, and its sample size of 380 SMME executives was established by a random selection process. The Statistical

Package for the Social Sciences (SPSS) version 24.0 was used to analyze the data. Regression analysis was used to look at how management accounting affected the bottom line. In order to verify the presence of the hypothesized relationships inside the research model, a correlation analysis was conducted. After investigating the links between the two, researchers found that MAPs benefited the efficiency of SME businesses. This study significantly added to the management accounting literature and provided useful implications for academics by systematically exploring the influence of MAPs) on the financial success of SMEs in South Africa's Gauteng province.

By combining survey data on management practices with company viability data from theUK's official business register, John (2015) was able to examine the impact of management practices on firm performance among SMEs in Britain between 2011 and 2014. We discover that small and medium-sized enterprises are less likely than large enterprises to utilize proper strategic techniques, despite the fact that these methods have been shown to aid in the expansion and improvement of a company's growth and productivity. Investments in HRM strategies, such as training and performance-related compensation, and the establishment of formal performance objectives yield the greatest returns for SMEs.

Local studies, however, have concentrated on how this strategy is being embraced and employed by companies and banks that are open to the public. Their research shows that discounted cash flow analysis is not often employed for evaluating the merits of potential investments. The survey revealed that financial management principles were widely used and adopted in the banking industry. Because of these divergent results, the current research aims topin down the impact of financial management on the manufacturing sector's bottom line.

**Synthesis of the study**

According to the research, financial management is the subfield of business management concerned with the efficient allocation of capital and the strategic identification of suitable capital resources to help an enterprise advance in the pursuit of its objectives. This definition emphasizes two basic tenets of sound financial management: the need for, and emphasis on, making efficient use of a company's capital resources to bring about the latter's desired outcomes.

## METHODOLOGY

As a way to evaluate and comprehend the financial management practices put in place by manufacturing businesses in Nigeria and their influence on financial efficiency, this study adopted an ex-post facto exploration approach to collect data on the effect of these practices. An aggregate of all the registered manufacturing companies in Nigeria from 2000 to 2019 constitute the sample of the inquiry.

The study used secondary data and was gotten from various publications including the statistical Bulletin of the Nigerian Stock Exchange (NSE) now Nigerian Exchange Group 2020, Manufacturer Association of Nigeria (MAN)2020, textbooks, magazines, periodicals, newspapers, management reports and journals. Time series relating to the variables were collected to cover the period of study between 2001 and 2019. The time series model was estimated using the OLSmethod to evaluate the effect of each explanatory variable on the outcome variable over the research period. The t-test, f-test, and r-squared were the actual tests conducted.

**Model Specification**

In examining the effect of financial management practices on the productivity of manufacturing industries in Nigeria, the study specifies the functional relationship of the model as:

ROI = f(WCM, CSM, CBM)… ..... (1)

This is further translated into the economic model by introducing the parameter coefficients as

well as the disturbance term as follows:

$ROI = \beta_0 + \beta_1 WCM + \beta_2 CSM + \beta_3 CBM + \mu$ ..... (2)

Where: ROI = Return of Investment; WCM = Working Capital Management; CSM = Capital Structure Management; CBM= Capital Budgeting Management; μ = Error term; $\beta_1$, $\beta_2$, $\beta_3$ = Constant parameters, and that $\beta_1$, $\beta_2$, $\beta_3 > 0$

Note: *, **, and *** signifies 10%, 5% and 1% respectively in any analytical result.

**Analysis and Discussion of Findings**

**Table 4.1: Descriptive Analysis**

| | ROI | WCM | CSM | CBM |
|---|---|---|---|---|
| Mean | 15.03512 | 3465.336 | 46.26471 | 3044.2060 |
| Median | 13.20962 | 391.5650 | 45.60000 | 2379.5000 |
| Maximum | 38.38656 | 18768.90 | 65.10000 | 6523.0000 |
| Minimum | 8.709660 | 10.67000 | 29.10000 | 984.00000 |
| Std. Dev. | 6.280374 | 5711.326 | 9.350511 | 1628.8750 |
| Skewness | 2.394577 | 1.571292 | 0.256759 | 0.7350820 |
| Kurtosis | 8.792416 | 4.006082 | 2.747954 | 2.1983780 |
| JarqueBera | 80.02479 | 15.42473 | 0.463572 | 3.9723050 |
| Probabilit y | 0.798000 | 0.510447 | 0.793116 | 0.1372220 |
| Sum | 511.1939 | 117821.4 | 1573.000 | 103503.00 |
| Sum Sq. Dev. | 1301.622 | 1.08E+09 | 2885.258 | 875567120 |

**E-View Version 9 (2021)**

Central tendency, dispersion, skewness, kurtosis, and the normality test all help to classify the aforementioned data. The Jarque-Bera (JB) statistic rejects the null hypothesis of normal distribution at the 5% critical value, indicating that all of the cross-sectional variables (ROI, WCM, CSM, and CBM) have normal distributions.

**Presentation and Analysis of ResultRegression Result**

Pooled OLS, a fixed effect model, and a random effect model were used to estimate the regression models in this subsection.

**Table 4.2 Dependent Variable: ROI; Panel Regression result based on Return on Asset.**

| Factors | OLS estimation was | Fixed Effect | Random Effect |
|---|---|---|---|
| | Coeffi. (P-value) | Coeffi. (P-value) | Coeffi. (P-value) |
| Cor. | .52382(0.42011) | .52347(0.54920) | .85233(0.3192) |
| WCM | .10828(0.040)*0* | .07955(0.0310)** | .07708(0.0489)** |
| R-sq | .5515181 | .4554380 | .6419750 |
| Adj R-sq | .5204032 | .4394460 | .6186420 |
| F-stat | 10.635980 | 1.9110331 | 4.9729311 |
| Dur-Wat stat | 2.1019752 | 2.1208742 | 2.0173991 |
| Prob(F-stat) | .0035580 | .0364310 | 0.0003730 |

**Source: E-View Version 9 (2021)**

This section presents the results of a panel linear regression breakdown of the relationship between working capital management and the degree of profitability (ROI) in a number of chosen industrial industries in Nigeria (Table 4.2). R2 = 55%, Adj R-sq = 52%, and F-stat=

10.64 all indicate that the equation has a satisfactory fit based on the pool effect data, which indicates that the variables in the equation adequately explain 55% of the changes in turnover. The model explains 46% of the variation in the explained factor (ROI) when the fixed effect

is taken into account (R2 = 46%, Adj R-sq = 44%, and F-stat= 1.91) and 64% when the randomeffect is taken into account (R2 = 64%, Adj R-sq = 61%, and F-stat= 4.97) (ROI).

**Table 4.3: Dependent Variable: ROI; Panel Regression Result**

| Variables | OLS | Fixed Effect | Random Effect |
|---|---|---|---|
| | Coeffi. (P-value) | Coeffi. (P-value) | Coeffi. (P-value) |
| C | .52382(0.42010) | .52347(0.54920) | .85233(0.31921) |
| CSM | .2645(0.5400) | .6259(0.3310) | .6324(0.34890) |
| R-sq | .453410 | .397381 | .6219851 |
| Adj R-sq | .422430 | .372161 | .6034822 |
| F-stat | 4.621981 | 2.433212 | 5.9310311 |
| Dur-Wat stat | 2.1019752 | 2.1208741 | 2.0173994 |
| Prob(F-stat) | .000678 | .0041211 | .0018785 |

**Source: E-View Version 9 (2021)**

The impact of capital structure management on the return on investment (ROI) in a few representative Nigerian manufacturing sectors is displayed in Table 4.3. 45% of the variations in ROI can be attributed to the variables in the equation (R2 = 45%, Adj R-sq = 42%, and F-stat=4.62), as shown by the pool effect results, indicating a strong match. In terms of the fixed effect, the model explains 39% of the variance in ROI (R2 = 39%, Adj R-sq = 37%, and F-stat= 2.43) whereas the random effect model explains 62% of the variance in ROI (R2 = 62%, Adj R-sq = 60%, and F-stat= 5.73).

**Table 4.4: Dependent Variable: ROI; Panel Regression Result**

| Variables | OLS | Fixed effect | Random effect |
|---|---|---|---|
| | Coeffi. (P-value) | Coeffi. (P-value) | Coeffi. (P-value) |
| Cor | 1.49060 (0.92450) | 1.1370 (0.08740) | 1.539(0.0414) |
| ROI | .64855(0.01770)** | .62590(0.07850)* | .6337(0.0830)* |
| R-sq | .582110 | .467311 | .6119851 |
| Adj R-sq | .562930 | .432410 | .5834821 |
| F-stat | 7.218980 | 2.433210 | 4.9310311 |
| Dur-Wat stat | 2.092501 | 2.430871 | 2.387650 |
| Prob(F-stat) | .00315801 | .0053211 | .0021761 |

**Source: E-View Version 9 (2021)**

The panel linear regression effect of capital budgeting management on the ROI of selected Nigerian manufacturing industries is displayed in Table 4.4. The pool effect findings suggest that 58% of the variance in ROI can be attributed to the variables in the panel regression equation, with an R2 value of 58%, an adjusted R-sq value of 56%, and an F-statistic of 7.22. The findings show that the fixed effect model explains for 47% of the variation in the dependent variable (ROI) (R2 = 47%, Adj R-sq = 43%, and F-stat= 2.43), whereas the random effect model accounts for 60% of the variance in the explained factor (ROI) (R2 = 60%, Adj R-sq = 58%, and F-stat= 4.93). (ROI).

**Discussion of Findings**

The study's major goal was to ascertain the degree to which proper management of working capital affected the profitability of the manufacturing industry. These studies show that the management of working capital has a major effect on the viability of the production industry. These results are consistent with those found by Klammer (1973), who examined the correlation

between financial management practices and return on equity in the United States and found that, despite the widespread use of increasingly complex financial management techniques, there was no statistically significant link between the two. Moore and Reichert (1989), who examined 500 companies in the United States using a multivariate analysis of firm efficiency and the application of advanced analytical tools and financial techniques, found that those companies that adopted such practices had higher productivity than their less innovative counterparts. Specifically, Nguyen (2001) aimed to analyze the connection between SME financial management and viability in Nigeria. He zeroed particularly on financial management techniques and characteristics, showing how both have an effect on SME profitability. Second objective was to analyze how capital structure management affected the profitability of various manufacturing segments. Capital structure management was shown to have an effect on the profitability of industrial sectors. This finding is consistent with research conducted by Mundu (1997), who aimed to investigate the methods of financial management employed by Kenyan micro and small enterprises. More than half of business owners surveyed (56%) put faith in their own discretion when it came to safeguarding cash on hand, and 60% said they never used a cash budget. Seventy-plus percent of those polled had also loaned money to somebody they previously knew or at least assumed they knew. Only sixteen percent of businesses maintain cost control reports and followed up on past-due accounts with reminder visits, phone calls, or both, while seventy percent of businesses set prices based on full cost-plus margin (which could be a mentally calculated price or selling at what their competitors are charging). More than 80% of companies have created a strategy to draw in investors. These findings showed how crucial formal financial management is to the long-term viability of SMEs. The third drive for this research was to assess how capital budgeting management affects industrial profitability. The results showed that capital budgeting management has a major bearing on the level of industrial profitability. The correlation between SME financial management and profitability in Nigeria was also studied by Nguyen (2001), whose results are identical with those of this study. He zeroed particularly on financial management techniques and characteristics, showing how both have an effect on small and medium-sized enterprise (SME) profitability. He also looked at how a group of 99 commercial and 51 industrial SMEs managed their fixed (noncurrent) assets. He discovered that roughly 80% of SMEs often or always analyze the efficacy of employing fixed assets following purchases and evaluate 24 capital projects before making investment decisions. Mundu (1997) conducted a study of the financial management methods of certain Kenyan small businesses. The majority of business owners (70%) said they kept any extra cash on hand in a safe place, and over half of all business owners (56%) said they used their own cash as security.

## CONCLUSION AND IMPLICATION

### Summary of Findings

The study's hypotheses were put to the test with the experimentally documented effects of the independent factors on the dependent variables.

1. Findings of the study shows that WCM had positively and meaningfully affect the industrial firms return on assets;
2. Also the second hypothesis result shows that capital structure management has a significant relationship with viability level of manufacturing corporations;
3. Finally, the third hypothesis result shows that capital budgeting management had substantial effect on productivity level of manufacturing industry.

### CONCLUSION

This study looked at how different financial management strategies affected the profitability of the manufacturing sector. According to the results, there is a strong link between the

factors of financial management techniques and ROA. The research does suggest, nonetheless, that financial management methods have a considerable impact on manufacturing sector profitability.

**RECOMMENDATIONS**

The following are some suggestions made in light of the results of this study: The results suggest that the components of financial management procedures do effectprofitability, albeit to a lower extent, in the manufacturing sector. Financial management success necessitates that the leadership of the selected manufacturing enterprises have a clear grasp ofthe nature and route of the associations between the various components of financial management and profitability. Managers at some manufacturing companies should boostperformance by better managing their companies' financial structures. Streamlining inventory management is one method to achieve this goal. Managers at chosen manufacturers should implement stricter credit policies and solid capital budgeting across the board to ensure the companies' continued success. Additional studies should be undertaken in the service sector to determine the impact of financial management strategies on profitability.

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