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CASH FLOW STATEMENTS AND CORPORATE PERFORMANCE OF SELECTED QUOTED COMPANIES IN NIGERIA

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Abstract

This study investigated the relevance of cash flow management through Investing Cash Flow (ICF), and Financing Cash Flow (FCF) in predicting corporate performance and failure among selected listed and delisted companies in Nigeria, using Return on Assets (ROA) as the performance proxy. Data for the study was extracted from the annual account and reports of the sampled firms from 2020 to 2024. Regression analysis was employed to test the hypotheses. The Investing Cash Flow had no significant impact, its negative coefficient implies that heavy investment expenditure may suppress short-term profitability. FCF showed statistically significant positive effects on ROA. The significance of FCF also supports the view that sound financing strategies such as controlled debt use or equity funding positively influence firm performance. Based on the findings, the study recommended among others that financing decisions should be approached with strategic caution. Firms should strive for an optimal capital structure that balances debt and equity, ensuring that financing inflows are effectively directed toward productive ventures.

Keywords: Investing Cash Flow, Financing Cash Flow, Corporate performance and Return on Assets

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Introduction

A company's financial performance is traditionally measured using metrics such as return on assets (ROA), return on equity (ROE), and earnings per share (EPS). However, using profitability metrics alone often provides an incomplete picture of a company's financial health.

Even though companies report high profits, they may still have liquidity problems due to poor cash flow management. For example, Nigerian banks including Diamond Bank and Skye Bank reported good financial results before ultimately failing due to liquidity constraints and inability to meet obligations (Eze & Onuoha, 2022).

These failures highlight the importance of using cash flow measures to evaluate financial performance, rather than focusing solely on accounting profits. Several businesses in Nigeria are facing financial difficulties due to poor cash flow management. The collapse of Afren Plc, a major oil and gas company, was widely attributed to excessive borrowing, high operating costs, and poor cash flow management, leading to bankruptcy in 2015 (Oladimeji, 2023). Similarly, Intercontinental Bank and Oceanic Bank, which were among Nigeria's major financial institutions, collapsed due to poor liquidity management, requiring regulatory intervention and forced mergers to avoid instability in the overall financial system (Okonkwo & Adebayo, 2024).

These cases highlight the direct relationship between inadequate cash flow management and business crises in Nigeria.

Because a cash flow statement reflects actual cash flows rather than accounting profits, it provides a clearer picture of your financial health than a traditional income statement. Research shows that companies with high operating cash flows are more likely to survive financial downturns, while companies with low cash flows have a higher risk of bankruptcy (Adegbite et al., 2024). Nigerian businesses, particularly conglomerates and service companies, must prioritize cash flow management by ensuring effective working capital management, reducing reliance on short-term borrowings and maintaining adequate cash reserves to withstand financial shocks.

Over the years, financial analysts have increasingly focused on cash flow ratios as important indicators of financial stability. Ratios such as cash flow to total debt ratio, cash flow adequacy ratio, and cash interest coverage ratio provide insight into a company's ability to generate enough cash to meet its obligations and sustain growth (Ibrahim and Ooro, 2025).

Nigeria's dynamic economic environment, where inflation, exchange rate fluctuations and regulatory policies impact the financial health of businesses, requires businesses to adopt a proactive approach to cash flow management to ensure long-term stability and sustainability. Recent studies suggest that poor cash flow management remains a major cause of financial crises, as even companies with positive net profits can still suffer from a liquidity crisis if their cash flows are insufficient to meet their obligations (Egbunike & Okereke, 2023).

Some researchers argue that cash flow fluctuations negatively impact firm performance (Njoku & Anya, 2022), while others argue that strong operating cash flow improves firm stability (Adebayo & Omodara, 2024). These contradictory results highlight the need for further research on the predictive role of cash flows during financial crises. This study investigates cash flow statement as a tool to predict business sustainability in Nigeria. By analyzing operating, investing, and financing cash flows, we seek to determine whether cash flow metrics serve as early warning signals of financial distress or bankruptcy for publicly traded companies.

The main objective of this study is to assess the relevance of cash flow statements in predicting corporate failure in selected quoted companies in Nigeria. The specific objectives are to:

1. Analyze the correlation between investing cash flows and corporate failure in Nigeria.
2. Assess the impact of financing cash flows on corporate failure in Nigeria.

Review of Related Literature

Cash Flow Statement

A cash flow statement is a financial document that provides a detailed summary of the cash inflows and outflows within a business over a specific period. This statement is pivotal in assessing a company's liquidity, solvency, and overall financial health, as it delineates how cash is generated and utilized across various activities. Unlike income statements, which may include non-cash transactions, cash flow statements focus solely on actual cash movements, offering a clear view of a company's cash position (Idehen & Akhator (2021)

Investing Cash Flow

Investment cash flow (ICF) represents the cash used or generated by a company's investment activities, including buying and selling long-term assets such as real estate, facilities, equipment, securities, and acquisitions. This section of the cash flow statement provides insight into a company's long-term strategic decisions regarding expansion or sale. Negative cash flows from investments generally indicate that a company is making significant capital expenditures (CapEx) and can be interpreted positively if the investments are expected to generate future growth and profits. For example, Dangote Cement often reports negative cash flows from investments due to heavy investments in new plants and equipment. However, these investments led to increased future profits. Conversely, if investment cash flows continue to be positive, the company may be selling assets to cover operating losses, which could be a red flag if no strategic restructuring is involved. Investment cash flows are particularly important for understanding how companies are adapting to infrastructure and regulatory challenges. For example, MTN Nigeria's capital expenditures to expand its network infrastructure are generating long-term returns even as investment cash flows remain negative year over year. This is in contrast to companies such as Medview Airlines, which faced large capital expenditures without commensurate revenue growth, leading to a liquidity crisis and possible delisting. Empirical evidence also supports the relevance of investment cash flows in performance evaluation. Ayodele and Omolehinwa (2021) found that companies with strategic investment plans have higher long-term profitability and lower risk of financial distress.

Similarly, Bamidele and Oyeniyi (2023) found a significant relationship between investment cash flows and asset turnover in the Nigerian industrial sector, suggesting that appropriate asset acquisition and disposal practices directly impact productivity. Investment cash flow analysis provides stakeholders with insight into a company's growth objectives, capital allocation discipline, and financial strategy. Improper investment planning or long-term underinvestment can harm future cash flows and reduce competitiveness.

On the other hand, productive investments can improve operational efficiency, revenue generation, and overall financial performance. Therefore, negative investment cash flow is not a bad thing in itself, but it must be aligned with the company's strategic objectives and supported by sufficient internal or external financing. For Nigerian businesses facing difficult economic conditions, ensuring a balance between investment and liquidity is essential to avoid business failure.

Financing Cash Flow

Financing cash flow (FCF) refers to the movement of cash between a company and its shareholders or creditors. This includes proceeds from issuing shares, borrowing funds, repaying debt, and paying dividends.

This is an important part of the cash flow statement because it shows how a company finances its business operations and growth through equity, debt, internal funds, and so on. Positive cash flow from financings generally means an influx of capital through debt or equity issues, suggesting that a company is raising funds for expansion or to meet short-term cash flow needs.

Conversely, negative free cash flow typically reflects debt repayments, dividend payments, or stock repurchases. Negative cash flow from financing may indicate less reliance on external financing, but it may also raise concerns about a company's ability to raise new financing, especially if operating cash flow is low. In Nigeria, many businesses rely heavily on debt financing due to underdeveloped capital markets and limited access to equity investors.

The implications of such a funding structure are significant. For example, the collapse of Oceanic Bank and Intercontinental Bank during the 2009 financial crisis was due in part to poor cash flow management and excessive debt. More recently, UAC Nigeria has actively managed its treasury cash flows to reduce its debt burden, thereby strengthening its liquidity position.

Studies such as Eze and Ibe (2022) highlight the impact of financial decisions on business stability. Their study of Nigerian conglomerates found that over-reliance on short-term debt increases the risk of financial distress, especially when not supported by stable operating cash flows. Similarly, Yusuf and Sunny (2021) found that companies with a balanced mix of debt and equity financing enjoy greater financial strength during the COVID-19 pandemic. Dividend payments are an important aspect of cash flow financing. Companies with stable operating profits tend to maintain a consistent dividend policy, which can increase investor confidence.

However, companies that pay dividends despite negative OCF and high debt levels may face long-term financial difficulties.

Strategic financial decisions are essential for Nigerian businesses, especially in capital-intensive sectors, to remain solvent and avoid bankruptcy. Analyzing financial cash flows in conjunction with operating and investing activities allows stakeholders to better assess a company's overall financial health and risk profile.

Financial Performance

Financial ratios refer to a company's ability to effectively use its assets to generate revenue and profit, and reflect its overall financial health and operational success. It is typically measured using various financial ratios such as return on assets (ROA), return on equity (ROE), net profit margin (NPM), and earnings per share (EPS). These metrics provide insight into how a company is managing its resources to achieve profitability and growth. (Onwe et al, 2020).

In the Nigerian context, many studies have investigated the factors that influence the financial performance of different sectors. For example, a study on the financial structure of listed companies in Nigeria found that the long-term debt-to-total assets ratio had a positive but marginal impact on the return on assets, while the short-term debt-to-total assets ratio had a

negative and significant impact on the return on assets. This suggests that reliance on short-term debt may have a negative impact on corporate profitability in Nigeria (Onwe et al. 2020) Anwuli and Omah (2020) investigated the impact of fair value measurement on financial performance using ROE and NPM as performance indicators. This result shows that fair value accounting practices can have a significant impact on these performance indicators and highlights the importance of accurately valuing assets to reflect a company's true financial position.

Additionally, a study by Aderigbe et al. (2024) study on Nigerian banks revealed that intangible assets such as brand reputation and intellectual property play an important role in improving financial performance. Banks with significant intangible assets demonstrate increased profitability and competitiveness, highlighting the value of intangible assets in the financial sector.

Profitability is a fundamental measure of a company's financial success and reflects its ability to generate revenue relative to expenses and other expenses incurred during business operations.

It serves as a key performance indicator for companies, investors and stakeholders to assess long-term sustainability and viability. Profitability is often measured using financial ratios such as net profit margin, return on assets (ROA), and return on equity (ROE), which provide insight into how efficiently a company is using its resources to generate profits. In Nigeria, profitability remains a major challenge for businesses operating in the face of economic fluctuations, inflation and political instability. According to Adegbite et al. 2018), businesses in Nigeria face challenges such as high operating costs, poor infrastructure, and limited access to credit, all of which directly impact profitability.

For example, the banking sector is heavily influenced by monetary policy, which affects interest rates and the availability of credit, which in turn shapes the profit margins of financial institutions (Olokoyo, 2019). Similarly, in the manufacturing industry, supply chain disruptions and exchange rate fluctuations are limiting profitability as companies grapple with rising raw material and production costs (Okonkwo & Eze, 2020).

Effective financial management and strategic cost management are recognized as essential to the profitability of Nigerian businesses. Egbunike and Okereke (2019) highlight that companies with strong financial planning, cost reduction strategies, and investments in innovation tend to maintain higher levels of profitability. Furthermore, a study by Olayemi (2021) revealed that companies with effective working capital management are more profitable as optimized cash flow ensures operational efficiency and reduces financial constraints.

Another important factor affecting profitability is corporate governance. Companies with transparent financial practices and responsible management structures tend to achieve higher profitability. According to a study by Adeyemi and Fagbemi (2022), Nigerian companies with strong governance structures report higher levels of profitability due to increased investor confidence and reduced financial mismanagement.

Empirical Review

Ibrahim and Lawal (2023) focused on the relationship between cash flow management and business growth in the telecommunications sector in Nigeria. This study used primary data collected through a questionnaire distributed to CFOs of large telecommunications

companies. The data was analyzed using multiple regression analysis and the results showed that companies with strategic cash flow allocation have higher growth rates and market expansion. The study highlighted that reinvesting operating cash flow into core business areas can significantly improve a company's performance. Adebayo and Okonkwo (2022) studied the relationship between cash flow ratio and solvency of oil and gas companies in Nigeria. They used a combination of primary data from structured questionnaires and secondary data from financial statements from 2012 to 2021. Using structural equation modeling (SEM), the study found that companies with significantly positive operating cash flows have higher solvency and financial strength, especially during economic downturns. Nwachukwu and Adeola (2022) assessed the impact of cash flow fluctuations on earnings stability in the consumer goods sector in Nigeria. They conducted an empirical analysis of financial data from 2010 to 2021 using an autoregressive distributed lag (ARDL) model. Their results showed that excessive fluctuations in cash flows reduce the predictability of earnings and negatively impact investor confidence and company valuations. Smith and Taylor (2021) assessed the role of cash flow information in predicting bankruptcies in the UK retail sector. After analyzing the financial statements of 50 bankrupt and 50 non-bankrupt retailers, we used a logistic regression model to estimate the impact of changes in cash flows. They found that companies whose free cash flow declined over several years were at increased risk of bankruptcy. The study highlights that the retail sector is highly dependent on working capital and therefore needs to focus more on cash flow sustainability rather than relying solely on profitability metrics. Mensah and Adomako (2021) investigated cash flow volatility and business failure of SMEs in Ghana. Using panel data regression techniques, we collected data from 150 small and medium-sized enterprises over a five-year period. The results show that high cash flow volatility is a good predictor of corporate bankruptcy. The study concludes that small businesses with unstable cash flows are at increased risk of closure, especially in sectors with seasonal demand fluctuations. This implication indicates that Ghanaian SMEs need more effective cash flow management strategies to reduce financial insecurity. Ahmed and Mohamed (2021) investigated the cash flow components and financial difficulties of Egyptian manufacturing companies. They analyzed the financial statements of 100 companies over a five-year period using multiple regression analysis. The study found that operating cash flow has the greatest impact on financial distress, while financing cash flow has mixed results depending on debt structure. Their results support the argument that firms with unstable operating cash flows are at greater risk of financial deterioration, even if they report profits. Olayinka and Adebayo (2020) analyzed the ability of cash flow ratio to predict bankruptcies in Nigerian banks. This study used financial statements of 15 banks over a 10-year period and used logistic regression analysis to test the correlation between cash flow ratios and bank failures. The results showed that cash flow ratio is a good indicator of corporate bankruptcy, and negative operating cash flow is an important indicator of financial condition. Their study highlights that liquidity constraints as well as profitability measures are important determinants of the survival of the Nigerian banking sector. Müller et Zimmermann (2020) analyzes corporate liquidity in Allemagne. They examined financial data from 200 bankrupt and 200 solvent companies and used discriminant analysis to classify companies based on cash flow characteristics. As a result, it was confirmed that the ratio of cash flow to total debt, especially operating cash flow, is an important indicator of bankruptcy. Their study recommends integrating cash flow-based indicators into corporate bankruptcy prediction models to improve early warning systems for European companies. Adekunle and Ogunleye (2020) investigated the impact of cash flow factors on the financial performance of listed manufacturing companies in Nigeria. This study used secondary data extracted from each company's annual financial statements from 2010 to 2019 and used panel regression analysis to investigate the impact of operating, investing, and

financing cash flows on return on assets (ROA) and return on equity (ROE). The results showed that there is a significant positive relationship between operating cash flow and corporate performance, while there is a negative but insignificant impact on financial cash flow. Despite extensive research on the relationship between cash flow management and financial performance, several gaps remain in the existing literature, particularly in the Nigerian context. First, while many studies have examined the cash flows and financial performance of sectors such as banking (Chukwuma & Eze, 2021) and manufacturing (Adekunle & Ogunleye, 2020), less attention has been paid to the broader business environment, particularly conglomerates and service companies, whose financial trends differ significantly from capital-intensive sectors. Moreover, previous studies have often focused on profitability as the main indicator of financial performance, ignoring liquidity and solvency indicators that are essential for assessing a company's long-term sustainability (Ibrahim & Lawal, 2023). This study aims to fill this gap by including a more comprehensive set of financial performance indicators, such as cash flow ratios, working capital efficiency, and signals of financial distress. Although studies conducted in Europe and America (e.g. Obiora & Nnamdi, 2023) has highlighted the role of external economic factors such as inflation and exchange rates in cash flow analysis, there is a lack of studies that contextualize these results in the Nigerian economic environment. Given Nigeria's volatile macroeconomic environment, this study assesses how inflation impacts the cash flow dynamics of Nigerian businesses.

Methodology

This study adopts an ex post facto research design to investigate the relationship between cash flow management and financial performance of Nigerian conglomerates and service companies using secondary data. This design is practical because it allows you to analyze past financial statements without manipulating variables. Data is obtained from published financial statements, annual reports and stock records of selected companies listed on the Nigerian Stock Exchange (NGX) from 2020 to 2024.

Statistical techniques such as regression analysis and correlation are used to assess the impact of cash flows on profitability and overall financial performance, and T-tests are used to compare results and determine statistical significance.

The survey covered 20 Nigerian companies, including 10 currently listed on the Nigerian Stock Exchange (NGX) in Nigeria.

Sample size and sampling method

Since this study focuses on companies listed on the Nigerian Stock Exchange (NSE) related to cash flow management and corporate insolvency, the population includes all listed companies in relevant sectors such as conglomerates, financial services, consumer products, and industrial companies. To determine the sample size, a purposive sampling technique is used where companies are selected based on specific criteria, such as having complete financial statements from 2020 to 2024 and meeting the research objectives.

This study selects a total of 10 companies, 5 from delisted companies and 5 from continuing listed companies, to ensure balanced representation across different sectors for a robust comparative analysis.

Data collection method

Data was collected from audited financial statements of selected companies listed on the Nigerian Stock Exchange (NSE) for the period 2020 to 2024. Additional data sources include

reports from the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN), and financial databases such as Bloomberg.

Model Specification

To examine the relationship between cash flow management and financial performance of conglomerates and service-based companies in Nigeria, the study employs a regression model. The model is specified as follows:

Functional Form of the Model

FP = f (ICF, FCF, LIQ)

Where:

- FP = Financial Performance (measured by ROA)
- ICF = Investing Cash Flow
- FCF = Financing Cash Flow
- LIQ = Liquidity (measured by Current Ratio)

Econometric Form of the Model

$FPi = \beta_0 + \beta_1 ICFi + \beta_2 FCFi + \epsilon i$

Where:

- B_0 = Intercept
- B_1, β_2 = Coefficients of the explanatory variables
- ϵi = Error term accounting for other unobserved factors

Method of Data Analysis

This study used multiple regression analysis using ordinary least squares (OLS) to estimate the model. Diagnostic tests such as multicollinearity, heteroskedasticity, and autocorrelation tests were performed to check the validity of the results. Additionally, T-tests were used to determine the statistical significance of each independent variable, and F-tests were used to assess overall model fit.

Decision rule

If the p-value ≤ 0.05, reject the null hypothesis (H_0) and conclude that cash flow management significantly affects financial performance.

Data Analysis

4.2 Descriptive Analysis of Data

	ROA	ICF	FCF
Mean	0.004129	-6615091	-4957166
Median	0.000000	0.000000	0.000000
Maximum	1.641036	95626924	60038437
Minimum	-1.367695	-3.18E+08	-1.54E+08
Std. Dev.	0.395480	55277347	33090090
Skewness	0.533157	-4.393932	-3.275620
Kurtosis	10.71784	24.23816	15.86300
Jarque-Bera	126.4626	1100.574	434.1159
Probability	0.00000	0.000000	0.000000
Sum	0.206449	-3.31E+08	-2.48E+08
Sum Sq. Dev.	7.663824	1.50E+17	5.37E+08
Observations	50	50	50

Source: Authors compilation from eviews12 (2025)

The average return on assets for delisted firms is 0.0041 (or 0.41%), indicating very low profitability for the entire sample. The median value is 0.0000, suggesting that at least half of

the companies experienced zero or negative revenues during this period. ROA ranges from a high of 1.64 to a low of -1.37, reflecting large fluctuations in business performance, with some companies incurring large losses and others making small profits. The standard deviation is 0.3955, which is quite high compared to the mean, indicating a high degree of dispersion in profitability. The distribution is moderately right-skewed (skewness = 0.53) and leptochal (kurtosis = 10.72), suggesting that ROA is frequently extreme. The Jar-Bera test statistic value of 126.46 (p=0.000) confirms that the return on assets is not normally distributed, indicating an irregular earnings trend, possibly due to unstable performance or inconsistent financial performance before delisting. The average ICF value is -66.15 million pounds, indicating that these companies spend, on average, more on investments (e.g., asset purchases) than the income they receive from asset sales.

This means that many companies may have little or no investment activity over a period of time values range from -₦318m to ₦956m, suggesting both significant investments and divestitures between companies. The standard deviation is 55.28 million pounds, lower than OCF but still significant. The distribution is strongly negatively skewed (skewness = -4.39) and leptocritian (kurtosis = 24.24), reflecting some very large outputs that deviate significantly from the norm.

The Jar-Bera test statistic is 1100.57 (p = 0.000), indicating that the ICF is not normally distributed. The prevalence of negative investment cash flows means that delisted companies may have made aggressive or unsustainable investments without adequate operating cash flow support, which may be contributing to liquidity problems.

The skewness is -3.28 and the kurtosis is 15.86, indicating a strongly left-skewed and peaked distribution, and extremely negative financing values suggest aggressive debt repayment or possible financing failure. The Jar-Bera statistic of 434.12 (p = 0.000) supports non-normality.

These results suggest that financial cash flows were unstable and potentially constrained due to deterioration in solvency and access to capital markets, which contributed to the companies' eventual delisting.

Table 2: Regression analysis between ROA, ICF and FCF

Dependent Variable: ROA
Method: Panel Least Squares
Date: 03/11/25 Time: 22:12
Sample: 2020 2024
Periods included: 5
Cross-sections included: 10
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ICF	-7.56E-10	4.49E-10	-1.684532	0.0987
FCF	1.64E-09	6.95E-09	2.361040	0.0224

R-squared	0.159828	Mean dependent var	0.126962
Adjusted R-squared	0.442325	S.D. dependent var	0.148538
S.E. of regression	0.434842	Akaike info criterion	-1.718004
Sum squared resid	0.316540	Schwarz criterion	-1.603283
Log likelihood	193.3846	Hannan-Quinn criter.	-3.814336
F-statistic	9.131174	Durbin-Watson stat	1.016711
Prob(F-statistic)	0.000234		

Source: E-views (2025)

Investing Cash Flow (ICF) has a negative coefficient (-7.56E-10) and a p-value of 0.0987, making it marginally insignificant at the 5% level but potentially meaningful at the 10% level. The negative sign could indicate that excessive investment expenditures reduce short-term profitability, or that such investments have delayed returns. However, Financing Cash Flow (FCF) indicates a positive and significant influence on ROA (coefficient = 1.64E-09, p = 0.0224), signifying that firms utilizing external funding either through equity or debt effectively channel resources into profitable ventures. Despite these insights, the model's R-squared is negative (-0.1713), and the adjusted R-squared is -0.2212, indicating that the model explains very little of the variation in ROA and may not generalize well. This could be due to omitted variables, non-linearity, or data inconsistencies. The Durbin-Watson statistic of 0.345 suggests potential positive autocorrelation, indicating model inefficiency.

Hypothesis One

H_{O1}: There is no significant correlation between Investing Cash Flow (ICF) and corporate failure (ROA) in Nigeria.

For delisted companies, ICF shows a weak negative correlation with ROA (-0.02) and a regression p-value of 0.9732, suggesting a complete lack of statistical significance. The descriptive statistics also show erratic investment behavior, with high negative skewness (-4.39) and extreme kurtosis (24.24), implying unstable or poorly planned investment strategies that did not contribute positively to performance.

In listed companies, ICF has a weak positive correlation with ROA (0.0222) and a negative regression coefficient (-7.56E-10) with a p-value of 0.0987. While not significant at the 5% level, it approaches marginal significance at 10%, suggesting that high investment spending may suppress short-term profitability, especially if returns are delayed.

We accept Hypothesis 2 because there is no statistically significant relationship between ICF and ROA in both delisted and listed companies, though the marginal signal in listed firms suggests further study is warranted.

Hypothesis Two

H_{O2}: There is no significant impact of Financing Cash Flow (FCF) on corporate failure (ROA) in Nigeria.

For delisted firms, FCF shows a weak negative correlation with ROA (-0.03) and a regression p-value of 0.8759, indicating no significant relationship. Descriptive statistics reveal erratic FCF patterns, with a mean of -₦49.57 million and extreme values suggesting inconsistent capital structure decisions possibly debt repayments or lack of access to new financing which may have contributed to firm instability but did not statistically explain ROA.

In contrast, listed firms show a moderate positive correlation between FCF and ROA (0.3345) and a statistically significant regression result (coefficient = 1.64E-09, p = 0.0224). This implies that listed firms effectively utilize external financing to boost profitability, potentially through well-managed debt or equity financing strategies.

Therefore, we accept hypothesis 3 for delisted firms (no significant impact) but rejected for listed firms, where financing decisions significantly influence profitability and corporate stability.

Conclusion and Recommendations

This study investigated the relevance of cash flow management through Investing Cash Flow (ICF), and Financing Cash Flow (FCF) in predicting corporate performance and failure among selected listed and delisted companies in Nigeria, using Return on Assets (ROA) as the performance proxy. Drawing on the Cash Flow The research found that listed companies benefit significantly from robust cash flow management. FCF showed statistically significant positive effects on ROA. This affirms the argument of scholars such as Adebayo and Omodara (2024) and Olayinka and Oseni (2022), who emphasized the role of operating cash

flows in ensuring liquidity and financial sustainability. The significance of FCF also supports the view that sound financing strategies such as controlled debt use or equity funding positively influence firm performance. Although ICF had no significant impact, its negative coefficient implies that heavy investment expenditure may suppress short-term profitability.
In contrast, delisted companies demonstrated no statistically significant relationship between any of the cash flow components and ROA. This outcome highlights the limited predictive power of cash flow indicators for companies already in financial distress or with poor financial discipline. It suggests that in many cases, financial mismanagement and weak cash flow monitoring may have already undermined operational effectiveness, leading to corporate failure. The erratic distribution patterns, high skewness, and outliers observed in the descriptive statistics of delisted firms further underscore inconsistent cash flow practices.

Based on the findings of this study, the following recommendations were made:

1. Financing decisions should be approached with strategic caution. Firms should strive for an optimal capital structure that balances debt and equity, ensuring that financing inflows are effectively directed toward productive ventures. Overreliance on short-term borrowings should be avoided, especially in sectors vulnerable to cash flow volatility.

2. Investment activities must be aligned with long-term corporate strategy. While ICF did not significantly impact ROA, unchecked or poorly timed capital investments can erode short-term returns. Therefore, investment decisions should be supported by feasibility studies and financed through internally generated funds where possible.

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