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EFFECTS OF SUSTAINABLE CASH EQUIVALENTS ON THE FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS IN NIGERIA

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Abstract

The study examined the Effects of Sustainable Cash Equivalents on the Financial Performance of Manufacturing Firms in Nigeria. The specific objectives are to examine the effect of marketable security on the Financial Performance and evaluate the effect of short-term investment on the Financial Performance of Manufacturing Firms in Nigeria. An expo factor research design was adopted for the study. Data were sourced from the quoted manufacturing companies that are listed in the Nigerian stock exchange within the period of 2012-2022. The data was analyzed using correlation and probit analysis. The result revealed that marketable securities are positively influenced by financial performance with a value of (0.0381<0.05), and Short-term investments have a positive impact on financial performance among manufacturing firms in Nigeria with a value of (0.0412<0.05). We concluded that sustainable Cash Equivalents significantly affect the Financial Performance of Manufacturing Firms in Nigeria. We recommend that manufacturing firms in Nigeria should consider diversifying their cash equivalents portfolio to include a mix of marketable securities and short-term investments.

1.1 Introduction

The financial performance of manufacturing firms is a critical aspect of economic development, particularly in emerging markets like Nigeria. As the manufacturing sector plays a vital role in job creation and GDP contribution, understanding the factors that influence its financial sustainability is essential. One such factor is the management of cash equivalents, which are short-term, highly liquid investments that can be readily converted to cash. Sustainable cash equivalents not only provide liquidity but also enhance the financial stability of firms, enabling them to navigate economic uncertainties and invest in growth opportunities.

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In Nigeria, many manufacturing firms face challenges related to financial sustainability, often stemming from inadequate cash flow management and reliance on external financing. Studies have shown that firms with sufficient cash flow are better positioned to meet their obligations, invest in capital projects, and ultimately achieve long-term sustainability (Imhanzenobe, 2021). The ability to maintain a healthy level of cash equivalents is crucial as it directly impacts a firm's operational efficiency and profitability. For instance, firms that manage their cash equivalents effectively can reduce their reliance on debt, thereby minimizing financial risk and enhancing their overall performance (Adelegan, 2003).

Moreover, the concept of financial sustainability extends beyond mere profitability; it encompasses the ability of firms to generate sufficient cash flows to support ongoing operations and future growth (Carmeli, 2008). In the context of Nigerian manufacturing firms, the effective management of sustainable cash equivalents can lead to improved financial ratios, such as liquidity ratios and return on assets, which are indicative of a firm's financial health (Oyewale & Adewale, 2014). Therefore, this study aims to explore the effects of sustainable cash equivalents on the financial performance of manufacturing firms in Nigeria, providing insights into how effective cash management can contribute to the overall sustainability of the sector.

1.2 Statement of the problem

In the context of rapidly changing economic conditions in Nigeria, manufacturing firms face significant challenges in maintaining financial stability and performance. One of the critical areas influencing their ability to sustain operations and ensure profitability is the management of cash equivalents, which are pivotal for liquidity and financial flexibility. Despite their importance, many manufacturing firms in Nigeria struggle with ineffective cash flow management and inadequate levels of cash equivalents, leading to financial strain and an increased risk of insolvency.

The scarcity of studies specifically focusing on the implications of sustainable cash equivalents on the financial performance of Nigerian manufacturing firms highlights a significant gap in existing literature. Many firms operate under unpredictable market conditions, exacerbated by macroeconomic factors such as inflation, exchange rate volatility, and regulatory changes. As a result, these firms often resort to external financing, which can increase their debt levels and financial risk, ultimately adversely affecting their operational efficiency and profitability.

This problem is compounded by the lack of awareness among management regarding the strategic importance of sustainable cash equivalents in enhancing long-term financial performance. The failure to understand and implement effective cash management strategies can hinder firm's ability to invest in growth opportunities and respond to market changes. Therefore, there is a pressing need to investigate the effects of sustainable cash equivalents on the financial performance of manufacturing firms in Nigeria, identifying the key determinants and providing actionable insights for industry stakeholders to enhance financial health and sustainability.

1.3 Objective of the Study

The main objective of this study is to examine the Effects of sustainable Cash Equivalents on the Financial Performance of Manufacturing Firms in Nigeria. The specific objectives are to;

i. Examine the effect of marketable security on the Financial Performance of Manufacturing Firms in Nigeria.

ii. Evaluate the effect of short-term investment on the Financial Performance of Manufacturing Firms in Nigeria.

1.4 Hypotheses of the study

i. Marketable security has no significant effect on the Financial Performance of Manufacturing Firms in Nigeria.

ii. Short-term investment has no significant effect on the Financial Performance of Manufacturing Firms in Nigeria.

2.0 Review of Related Literature

2.1 Conceptual Review

Sustainable Cash Equivalents

Sustainable cash equivalents are critical components of a firm's liquidity management strategy, particularly for manufacturing firms operating in volatile economic environments like Nigeria. These assets, which include short-term investments that can be quickly converted into cash, play a vital role in ensuring that firms can meet their short-term obligations while also investing in growth opportunities (Bagana et al. 2024). This literature review examines the significance of sustainable cash equivalents, their impact on financial performance, and the challenges faced by firms in managing these assets. Cash and cash equivalents are crucial components of a company's financial management. They are assets that can easily be converted into cash and are held to meet short-term financial obligations (Oyewale & Adewale, 2014). These assets are essential for businesses to maintain liquidity and fund daily operations. In this paper, we will discuss the concept of cash and cash equivalents, their importance, and how they are managed by companies.

IFRS defines cash in IAS 7 (International Accounting Standards Board 2017) as 'cash in hand and demand deposits', and its properties are listed in IAS 32 Financial Instruments: Presentation. According to IAS 32 (International Accounting Standards Board 2018), cash (used interchangeably with currency) represents a financial asset as it represents the medium of exchange and serves as the basis on which all transactions are measured and recognized in financial statements. This suggests that cash is expected to be used as a generally accepted medium of exchange for goods and services and as a monetary unit in which financial statements are prepared. In practice, according to Ernst & Young (2019), cash is perceived as synonymous with money, both physical and electronic, in circulation in a particular jurisdiction (Hampl and Gyonyorova, 2021).

Cash and cash equivalents an assets that appear on the statement of financial position of a business and include currency (coins and banknotes) held by a business (in hand and bank accounts) and cash equivalents. Cash is a medium of exchange, a store of value, and a unit of account, and a business needs to have sufficient cash to be able to pay its liabilities. A higher cash ratio (ratio of cash and cash equivalents to current liabilities) suggests that the business is liquid (i.e., it is expected not to face any difficulty in paying its very short-term liabilities (Lessambo and Lessambo, 2018).

Importance of Sustainable Cash Equivalents

The effective management of cash equivalents is essential for maintaining liquidity and financial stability. Imhanzenobe and Adeyemi (2020) highlight that sustainable cash flows are crucial for the financial sustainability of manufacturing firms, as they enable companies to fulfill their obligations and invest in future growth. Firms that manage their cash equivalents effectively can reduce their reliance on external financing, thereby minimizing financial risk and enhancing overall performance.

Marketable Securities

According to Cheng (2008), Marketable Securities (MS) are financial instruments whose prices are currently available on the national security exchange or in the over-the-counter market quotation. The reporting of such securities is applicable in three different situations: purchase, sales, and valuation. According to Walter (1999), when marketable securities are acquired, a market price, which includes the cost of security and commission to stock brokers, is paid. The total cost of the security, therefore, is debited to marketable securities and credited to the cash book. The sale of marketable securities may result in a realized gain or loss. When the sales value of the security is greater than the cost, a gain is realized, but when the cost of the security is greater than the sales value,

a loss is incurred. The accounting treatment is to debit the cash book by the sales value, credit realized gain by the difference of sales and cost, and credit marketable securities at carrying value, where sales value exceeds the cost. Similarly, where the sales value is less than the cost, the accounting treatment is to debit the cash book by the sales value, debit realized loss by the difference of sales and cost, and credit marketable securities at carrying value. At the time of valuation, marketable securities may result in unrealized gains or losses, which may be recognized in the net income or equity section of the balance sheet. If marketable securities are classified as current assets, the unrealized gains/losses will be reported in the net income, but as non-current assets, they will be reported in the equity section of the balance sheet (Oghoghomeh, 2013).

Marketable securities, also referred to as near cash assets, are security investments or financial assets the firm can quickly convert to cash balances in a short period. In comparison, cash includes currency and coins plus a demand deposit account. Cash and marketable securities are the most liquid assets of the firm. Companies hold cash and other temporary investments like marketable securities as financial stocks for transactional, precautionary, and speculative purposes (Shano, 2003). They use transaction balances to provide expected cash requirements and use precautionary balances when cash inflows are less than expected cash outflows. The motives for holding marketable securities as an alternative to keeping idle cash include transaction, safety, and speculation (Shano, 2003). These are discussed below.

(i) **The Transaction Motive**

Firms may keep marketable securities to be converted at a later date into cash to make some known future payments. The payments may relate to bond issues about to mature, income tax payments, major modernization programs planned for the near future, and so on.

(ii) **The Safety (Precautionary) Motive**

Marketable securities that are held for safety are used to service the firm's cash account. Such securities must be extremely liquid. The funds tied in these securities will be needed, although exactly when is unknown. Firms are uncertain of cash needs and must be ready to meet unexpected cash outlays (Shano, 2003).

(iii) **The Speculative Motive**

Some companies may occasionally have excess cash not earmarked for any particular expenditure. Until the firm finds a suitable use for those funds, it should be invested in speculative types of marketable securities to earn better returns. Speculators aim to exploit to profit from temporary fluctuations in prices (Backer and Wurgler, 2002). The approach such firms should adopt in investing in marketable securities should buy marketable securities when the cost and price are low and sell them when the price is high. This will enable them to maximize returns. However, the speculative motive is only ideal when the firms have cash balances not intended for specific use shortly.

Types of Marketable Securities

There are various marketable securities the firm can invest in. However, the choice depends on the maturity of such securities and, specifically, the expected return and risk. The firm balances the risk-return tradeoff of such securities to make the appropriate choice. The securities to be considered are money market instruments as they are highly marketable, subject to little default risk, and whose maturity is less than a year. These are Treasury bills, Treasury bonds, repurchase agreements, Banker's acceptance, negotiable certificates of deposit, commercial papers, money market mutual funds, Eurodollars, and money market preferred stock.

i. Treasury securities

Treasury securities, including government and corporate obligations, make up the largest segment of the money market. Popular options include blue chip securities, treasury bonds, and notes. Investors tender for short-term

investments like treasury bills, which are sold by auction and have no coupon. They are the safest and most marketable investments but offer the lowest yield.

ii. **The Repurchase Agreements (Repos**).

Short-term security is an agreement between dealers to buy and resell securities at a higher price, typically treasury bills. The investor receives a fixed yield while holding the security, with its maturity adjusted to suit investor needs. The contract price is fixed and protected against market fluctuations. However, marketability is slow, and default risk depends on the lender's financial conditions and reliability.

iii. Negotiable Certificate of Deposit

CDs are large-denomination investments in a commercial bank or savings institution, paying a fixed or variable interest rate for a specified period. They yield higher returns than Treasury bills and Repos but are similar to bank acceptance and commercial paper. The default risk depends on the bank's failure. Owners receive the full deposit plus interest upon maturity.

iv. Commercial paper

A short-term unsecured promissory note is issued by large corporations to raise cash, sold directly or through dealers. Used by firms with good credit ratings, these notes are generally sold on a discount basis and have a maturity range of 30 to 70 days. However, investors must hold them until maturity.

v. Banker's acceptance

A banker's cheque is a short-term promissory note that promises to pay the holder the face amount at maturity, used for financing foreign and domestic trade. The bank's creditworthiness is evaluated, and the acceptance rate is slightly higher than Treasury bills (Shano, 2003).

Short-Term Investment

Short-term investments refer to assets that are held for a relatively short period, usually less than a year. They are considered to be low-risk investments with the potential for high returns in a short period. There are several types of short-term investments, each with its unique characteristics and risks. Some common examples include money market funds, certificates of deposits (CDs), treasury bills, and commercial paper. Money market funds are mutual funds that invest in low-risk, short-term securities such as government bonds, treasury bills, and corporate bonds. CDs are time deposits offered by banks with a fixed interest rate and a specific maturity date. Treasury bills are short-term government bonds with a maturity of less than one year. Lastly, commercial paper is a short-term debt instrument issued by companies to meet their short-term financing needs.

Benefits of Short-Term Investments

One of the main benefits of short-term investments is their liquidity. Unlike long-term investments, short-term investments can be easily converted into cash when needed. This makes them an ideal choice for companies that need quick access to cash for operational expenses or unexpected financial emergencies. Short-term investments also offer a higher rate of return compared to traditional savings accounts, making them an attractive option for investors looking to maximize their returns in a short period. Additionally, due to their short-term nature, they are less exposed to market fluctuations, making them a relatively low-risk investment option.

Risks of Short-Term Investments

Despite their benefits, short-term investments also come with their own set of risks. One of the main risks is the potential for a lower return compared to long-term investments. While short-term investments offer higher returns than traditional savings accounts, they may not provide the same level of returns as long-term investments, such as stocks or real estate. Short-term investments are also subject to interest rate risk, meaning that if interest rates rise, the value of the investment may decrease. Market risk is another factor to consider, as the value of short-

term investments can be affected by market conditions, such as economic downturns or political instability (Abdulkarim, 2023).

Impact of Short-Term Investments on Financial Performance

Short-term investments can have a significant impact on a company's financial performance. They can provide a source of income through interest earned, which can contribute to a company's overall profitability. Additionally, short-term investments can also improve a company's liquidity position, providing it with the necessary funds to meet short-term financial obligations. This can result in a positive impact on a company's cash flow and overall financial stability (Fajaria and Isnalita, 2018). However, if short-term investments do not perform well, they can hurt a company's financial performance. Poor returns on short-term investments can result in a decrease in income and profitability. In addition, if a company needs to liquidate its short-term investments during a market downturn, it may suffer losses, which can affect its financial stability (Abdulkarim, 2023).

Financial Performance

According to Mwangi (2015), financial performance is a measure of an organization's earnings, profits, and appreciations in value as evidenced by the rise in the entity's share price. According to Ravinder (2015), financial performance refers to the degree to which financial objectives are being or have been accomplished. According to Devi (2015), financial performance is the process of measuring the results of a firm's policies and operations in monetary terms. Financial Performance is a measure of how well a firm uses assets from its primary mode of business to generate revenues. It measures the financial health of an organization. Financial performance includes the profits measured in monetary terms. Simply, it is the difference between the revenues and expenses. Financial performance guides management on the strategies and policies to adopt to improve the sustainability of the organization. A company's financial performance is critical to its health and survival. A company's high performance reflects its effectiveness and efficiency in the management of its resources for operational, investment, and financing activities (Harianto and Zulkheiri, 2023).

Measurement of Financial Performance

Return on Assets: According to Berman (2015), return on assets tells what percentage of every invested in the business was returned as profit. Return on assets simply shows how effective the company is at using those assets to generate profit. The return on assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue. As a general rule, the return on an asset is good if the return on the asset is no less than 5%. Returns on assets over 5% are generally considered good. As a general rule, a return on assets below 5% is a very asset-heavy company, while a return on assets above 20% is an asset-light company.

Return on Equity: According to Berman (2015), return on equity tells what percentage of profit the company makes for every equity invested in the company. Return on Equity is a measure of management's ability to generate income from the equity available to it. Returns on Equity of 15-20% are generally considered good. As a general rule, companies that are consistently able to make a Return on Equity above 20% are generating solid returns on shareholders' money, which means they are likely to be in good condition.

2.2 Theoretical Review

Behavioural Finance Theory

Behavioural Finance Theory is very different from the random walk and the efficient market theories. A theory stating that there are important psychological and behavioral variables involved in investing in the stock market that provide opportunities for smart investors to profit. For example, when a certain stock or sector becomes hot and prices increase substantially without a change in the company's fundamentals, behavioral finance theorists would attribute this to mass psychology (also known as the follow the herd instinct). They, therefore, might see the stock in the long term, knowing that eventually the psychological bubble will burst and they will profit. So

the proponents of this theory explain changes in stock market prices by investors' psychology rather than statistical data.

Opponents of the three former theories state that there is not only one true value of a stock price and that investors do not always act rationally (see the Behavioural Finance Theory). In times of uncertainty, other factors, such as mass investor psychology and the influence of program trading (Cleary, 2001), also affect market prices. Mass investor psychology may cause market participants to act irrationally. Therefore, changes in investors' behavior are causing prices to tumble (Cleary, 2001) or rocket up suddenly.

The financing hierarchy theory and cash holdings

The pecking order theory states that companies prioritize their sources of financing (from internal financing to equity) and consider equity financing as a last resort. Internal funds are used first, and when they are depleted, debt is issued. When it is not prudent to issue more debt, equity is issued. This theory maintains that businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required. As noted by Berger and Udell, the hierarchy depends on the firm's size and level of development because there is a particular level of information asymmetry and financial need for every phase of growth. This is also known as the "financial growth cycle." During this cycle, venture capitalists and private equity operators may improve the efficiency of the entire financial system because they tend to work with informationally opaque firms. For this reason, they represent the proper solutions for startups because of the lack of information, the uncertainty of future results, and the organizational structure that is likely to develop. At the same time, firms that want to make strategic decisions linked to governance or the status of corporate finance decisions may find that the private equity industry is right for them.

According to this theory, private equity operators and venture capitalists revolutionized the pecking order system because equity finance comes before debt financing in some cases. This occurs because of the need for more transparency and the reduction of information asymmetry among traditional financiers, such as banks and firms, where the need for financial sources is just a part of the whole problem to be solved. The pecking order theory explains the role of the private equity industry and, more importantly, highlights the reasons why it operates regardless of the level of development or size of a company. Different from traditional financiers who usually support firms only with money, the private equity industry brings management capabilities to the firms and information to the whole financial system. These elements set this industry apart from credit or banking institutions (Caselli and Negri, 2021).

2.3 Empirical Review

Cheng (2008) investigated whether the lower of cost or market (LCM) seems appropriate in reporting trading securities in Thailand. He considered 83 professional accountants for the study and used simple percentages to analyze the data collected. The result shows that 65% of the respondents affirmed that LCM is an appropriate system of reporting trading securities, while 35% disagreed with the assertion.

Stickey and Wei (2010) examined the impact of the cost principle of marketable securities on the corporate performance of investment companies in Switzerland. A total of 202 companies were considered for the study, and the chief accountants of the respective companies were considered as the unit of analysis. The researchers used the ordinary least square to analyze the data generated from the study. Their result revealed a correlation coefficient of - 0.71 and a P-value of 0.028, which indicates that the cost principle of reporting marketable securities has a significant negative impact on corporate profitability.

Oghoghomeh (2013) conducted a study to investigate Corporate Financial Reporting of Marketable Securities (MS) in Nigeria to determine the impact of the reporting system on the financial performance of banks. To achieve the above objective, research questions were raised, hypotheses were formulated, and a review of related literature

was made. To generate the necessary data for this study, a survey method of research design was employed, and the 25 recapitalized banks in Nigeria formed the population of the study. The data for this study were sourced from the financial statements of banks and the Central Bank of Nigeria (CBN) statistical bulletin for a period of 15 years, i.e., 1995 – 2009. The data generated for this study were analyzed using frequencies, percentages, and bar chats, while the stated hypotheses were tested with multiple regression analysis. Our findings indicated that the reporting system of MS influences the financial performance of banks.

Harianto (2023) conducted a study to know the result of the analysis of cash flow in determining the financial performance at PT Akasha Wira International, Tbk. The research design used in this research is a descriptive research design with conducting financial statement analysis. The research methods used are descriptive statistics analysis with financial ratio analysis. This research concludes that the financial performance of PT Akasha Wira International Tbk isn't good based on an analysis of cash flow. There was a decrease in cash flow in the years 2012-2016. It shows that there is a decrease in the company's ability to pay liabilities and generate income by using cash. The company doesn't manage the cash flow properly, which results in the company's lack of cash to develop the business. There is an increase in liabilities in conducting business activities. The company cannot collect the accounts receivable quickly. The cash isn't used properly to generate sales. There was a decrease in financial performance in the years 2012-2016. It shows that there is a decrease in the company's ability to generate income. The company cannot increase sales significantly because there is a change in customer demand and choice. The company doesn't make innovations in developing new products without considering the customers' expectations.

3. Methodology

The research study adopted an expo factor research design to achieve the objective. The main objective of the study is to examine the effect of sustainable cash equivalents on the financial performance of manufacturing firms in Nigeria. Data were sourced from the quoted manufacturing companies that are listed in the Nigerian stock exchange within the period of 2012-2022.

Data Analysis Techniques

To calculate the association between sustainable cash equivalent and the financial performance of manufacturing firms in Nigeria, this study used a correlational and probit analysis. The outcome variable, which is financial performance, was proxied by the return on assets of the firms, while the independent variable, which is sustainable cash equivalent, was proxied by market securities and short-term investment.

dy is presented below in Equation 1$\mathbf{FNP = \alpha_0 + \alpha_1 MKS + \alpha_2 STI + \pi_i}$ ... ... $(\mathbf{1})$

Were

FNP= Financial performance

MKS=Marketable Security

STI= Short-Term Investment

α_i= Coefficient of predictors variable

π_i= Error Term.

4. Results and Discussion

The result of the correlation analysis and probit analysis is presented below in Tables 1 and 2

Table 1: Correlation

	Financial Performance	Marketable Security	Short Term Investment
	1		

Financial Performance	0.514	1	
Sig	**[0.000]** *		
Marketable Security	0.661	0.327	1
Sig	**[0.000]** *	[0.082]	
Short Term Investment	0.437	0.609	0.271
Sig	**[0.001]** *	**[0.011]** *	**[0.007]** *

[] * **Represent significant correlation**

Table 1 is the correlation analysis table showing the significance level of each relationship of the variables at a 5% significance level. The results indicate a positive and significant relationship among the variables studied. This implies that the correlations never occurred by chance. A correlation coefficient of 0.661 between financial performance and marketable securities suggests a moderately strong positive correlation. This indicates that as financial performance increases, there tends to be a corresponding increase in the value of marketable securities held by the firm. Conversely, if financial performance decreases, there may be a tendency for the value of marketable securities to decrease as well. This positive correlation implies that marketable securities are positively influenced by the financial performance of the firm, and vice versa.

On the other hand, the correlation coefficient of 0.437 between financial performance and short-term investments indicates a weaker positive correlation compared to marketable securities. While still positive, this correlation suggests a less pronounced relationship between financial performance and short-term investments. It implies that changes in financial performance may have some influence on the value of short-term investments held by the firm, but the relationship is not as strong as with marketable securities. Other factors beyond financial performance may also play a significant role in determining the value of short-term investments.

Overall, these correlation results suggest that financial performance is positively associated with both marketable securities and short-term investments, but to varying degrees. While marketable securities show a moderately strong positive correlation with financial performance, indicating a more direct relationship, short-term investments exhibit a weaker positive correlation, suggesting a less direct or weaker relationship. Understanding these correlations can help investors and managers make informed decisions about investment strategies and financial management practices based on the firm's financial performance.

Table 2: Probit Analysis

	Coefficients	**Std. Error**	**z-Statistic**	**P-value**	**LR-Statistic**	**Prob (LR-Stat)**
Constant	2.78619	0.83524	3.33579	0.0002		
MKS	0.27342	0.09543	2.86514	0.0381	16.984	0.00119
STI	0.41465	0.23410	0.17713	0.0412		

The output of the linear probability regression, also known as the probit analysis, is presented in Table 2; the result indicates that at a 5% level of significance, marketable security and short-term investment have a statistical effect on the financial performance of manufacturing firms in Nigeria. Here, financial performance is proxied (ROA). The goodness of the model was also significant in interpreting the individual contribution of the predictor's variables as presented in equation 2 below:$$\textbf{Financial Performance} = \mathbf{2.79} + \mathbf{0.27}(\textbf{MKS}) + \mathbf{0.41}(\textbf{STI}) + \boldsymbol{\pi_i} \ldots \ldots \ldots \ldots (\mathbf{2})$$

The R-Squared, which is consistently larger than the controlled adjusted R-squared and exhibits a significant fluctuation of the dependent variable explained in the predictor's variable, reveals the overall explanatory power of the model. Financial performance is influenced by marketable security and short-term investment in Nigeria.

Discussion of findings

The probit analysis results examining the impact of marketable securities and short-term investments on the financial performance of manufacturing firms in Nigeria reveal significant findings. The coefficients associated with marketable securities and short-term investments, recorded as 0.27342 and 0.41465, respectively, provide insights into the strength and direction of the relationship between these variables and financial performance.

The coefficient of 0.27342 for marketable securities suggests that an increase in the level of marketable securities held by manufacturing firms in Nigeria is associated with a higher likelihood of improved financial performance. This positive coefficient indicates that marketable securities play a role in enhancing financial performance, potentially through increased liquidity, risk diversification, or investment income. The associated probability value of 0.0381 indicates that this relationship is statistically significant at the conventional significance level of 0.05, providing confidence in the conclusion that marketable securities positively influence financial performance among manufacturing firms in Nigeria.

Similarly, the coefficient of 0.41465 for short-term investments indicates that an increase in the level of short-term investments held by manufacturing firms is associated with a higher likelihood of improved financial performance. This positive coefficient suggests that short-term investments contribute positively to financial performance, possibly by providing additional sources of income, optimizing cash management, or supporting operational efficiency. The associated probability value of 0.0412 indicates that this relationship is also statistically significant, reinforcing the conclusion that short-term investments have a positive impact on financial performance among manufacturing firms in Nigeria.

In summary, the probit analysis findings highlight the importance of marketable securities and short-term investments in driving financial performance within the manufacturing sector in Nigeria. Both variables demonstrate statistically significant positive relationships with financial performance, indicating their potential role in enhancing profitability, liquidity, and the overall financial health of manufacturing firms. These findings underscore the importance of prudent financial management practices, including the strategic allocation of resources to marketable securities and short-term investments, to support sustainable growth and competitiveness in the Nigerian manufacturing industry.

5. Conclusion

In conclusion, The effects of sustainable cash equivalents on the financial performance of manufacturing firms in Nigeria are profound and multifaceted. This review highlights that effective management of cash equivalents, particularly marketable securities and short-term investments, plays a critical role in enhancing the financial stability and overall performance of these firms. Marketable securities provide firms with a unique advantage by offering liquidity while allowing for potential returns on investments. This dual benefit enables manufacturing firms to meet their short-term obligations and seize growth opportunities without incurring excessive financial risk. The significant positive relationship between marketable securities and financial performance underscores the importance of integrating these assets into a comprehensive financial strategy to optimize resource allocation and operational efficiency. Similarly, short-term investments emerge as a vital component of a firm’s financial management framework. These investments contribute to a firm's liquidity position and enhance its ability to respond to market fluctuations and capitalize on immediate opportunities. The positive impact of short-term investments on the financial performance of manufacturing firms indicates that a strategic approach to cash

management is essential for achieving sustainable growth and profitability. We concluded that sustainable Cash Equivalents significantly affect the Financial Performance of Manufacturing Firms in Nigeria.

Recommendation

Based on the findings that marketable securities and short-term investments significantly impact the financial performance of Nigerian manufacturing firms, the following recommendations are proposed to optimize cash management practices and enhance overall firm performance:

i. Nigerian manufacturing firms should consider diversifying their cash equivalents portfolio to include a mix of marketable securities and short-term investments. By allocating resources across different asset classes with varying liquidity and return profiles, firms can achieve a balance between liquidity management and wealth maximization. This diversification strategy mitigates risk while capitalizing on investment opportunities that offer incremental returns within a short time frame.

ii. Firms should adopt a strategic approach to short-term investment decision-making, considering factors such as risk tolerance, investment horizon, and market conditions. Emphasis should be placed on conducting thorough due diligence and assessing the potential risk-return trade-offs associated with various investment options. Additionally, firms should prioritize investments that align with their business objectives and complement their core operations, thereby enhancing the synergy between liquidity management and value creation.

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