

Operating Cash Flow and Corporate Financial Performance of Listed Conglomerate Companies in Nigeria

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ABSTRACT

This study examines the impact of Operating Cash flow and Corporate financial performance of listed Conglomerate companies in Nigeria over a period of 10 years (2005 to 2014). Five listed Conglomerate companies from the population of six companies were studied. The study uses secondary data collected from the Annual Reports and Accounts of the sampled firms for the period of the study. The data were analyzed using descriptive statistics, correlation analysis as well as regressions techniques to determine the variation in financial performance due to the variation in operating cash flow. A Panel Data Regression Technique was employed since the data has both time series and cross sectional characteristics. Therefore, OLS and random effects regressions were applied to estimate the study models. The result shows a positive and insignificant impact between Cash Flow from Operating activities (CFO) and financial performance proxied by ROA while the impact is positive and significant when financial performance was proxied by ROE of the listed conglomerate companies in Nigeria. The control variable Size and Financial Leverage have a positive and negative significant impact on ROA respectively, while their impact on ROE is positive and insignificant. The study recommends that although increasing financial leverage reduces agency cost associated with equity. Listed Conglomerate companies in Nigeria should not rely more on financial leverage because excessive leverage has a negative impact on financial performance and increases risk of bankruptcy. These companies should set a policy so as to keep bankruptcy cost at a lower level and also Management efficiency is required in managing costs, increasing efficiency and financial performance of listed Conglomerate companies in Nigeria. For managers to be more effective and to become more prudent and avoid undertaking risky investments their equity participation should be increased.

KEYWORDS: Cash, Cash flow, Operating Cash Flow and Performance

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I. INTRODUCTION

Performance assessment according to Turcas (2011) is one of the most important financial problems in companies as a result of firms using different financial resources and methods to carry out profitable projects so as to achieve maximum return for their stockholders and the ability of a company to determine internal and external resources of an organization, supply capital and prepare financial plan is important for its growth and development. Therefore, the economic well being of any business in production or in servicing depends on careful monitoring and management of the flow of cash within and outside that organization. Corporate financial performance measures the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets, return on equity and value added among others and the performance objectives are that an enterprise must generate sufficient cash through operating, investing, and financing. A business firm should be able to devise various ways for selecting components of its cash flow which would be used in the company's operation to raise its productivity or achieve performance.

Cash is a vital component of any business and required effective management because even profitable businesses can go bankrupt when they failed to manage their cash effectively, particularly if they operate in rapid-growth or seasonal industries (BDBC, 2014) and without which a business may not survive. A firm being profitable does not mean the firm is also solvent due to the fact that profit is not cash. According to Turcas

(2011) the solvency, flexibility and the financial performance of the firm are set on the firm's ability to generate positive cash flows from the operating, investing and financing activities. Hence, inadequate cash flow planning with regards to operating activities will have a negative impact on the financial performance by lowering cash inflow and increasing cash outflow.

In the context of financial accounting, operating cash flow is the cash generated from the day to day activities of a business, that is, the flow of cash made available from the core operations of a business entity. Net cash flow from operating activities represent the net increase or decrease in cash and cash equivalent resulting from operations shown in the income statement in arriving at operating profit. In view of the fact that it adjusts for receivable, depreciation and liabilities, operating cash flow may be seen as a more accurate measure of how much a company has generated, in comparison with the conventional profitability measures like net income and that a business entity is characterized by many fixed assets within its books of account, such as machinery and equipment which are more likely to reduce net income as a result of depreciation (Fabozzi & Markowitz, 2006). Nevertheless, the business entity's operating cash flow would therefore provide a more accurate picture of the company's current cash holdings than the artificially low net income since depreciation is not a cash expense.

Conglomerates are companies mainly established to accomplish synergies, diversification and earnings growth. These are measured through the financial performance indicators. For these companies to achieve long term success they must have paid close attention to the cash flow of their transactions relating to operations activities. A business must have adequate cash on hand to pay for operations to make investments. Therefore, any ongoing cash flow concern could have a negative impact on the overall performance of the business.

Several empirical studies have been conducted in various sectors and economies of the world to examine the effect of cash flow on financial performance (Ghanbari et al 2015, Mongo 2010, Guda 2013, Tariverdi, Amanolahi and Faal 2014, Gheshlaghi, Ahmadzadeh and Faal 2014, and Velnampy and Kajanathan 2013). With a few conducted in Nigeria (Frank and James 2014, Nwanyanwu 2015, Amah, Michael and Ihendinihu 2016 and Duru, Okpe and Ifunanya (2015) but most of these studies virtually concentrated on the relationship between cash flow and financial performance, These studies are carried in various sectors of the Nigerian economy using different proxy of performance and time frame, The studies Frank and James (2014) and Duru, Okpe and Ifunanya (2015) are conducted on Food and Beverages companies using Return on Assets as a proxy for performance for the period of 5 years. Nwanyanwu (2015) studies was conducted on Small and Medium Hospitality and Printing Media Industries using survey design while the study of Amah, Michael and Ihendinihu (2016) on the Banking sector covers only four banks out of the eleven listed in the Nigerian stock exchange using Net profit as a proxy for performance for the period of nine years. Due to the scope and variables used by these studies, this study intends to extend the time frame to 10 years (2005 -2014) using 2 proxies for financial performance (ROA and ROE) with just one cash flow component (operating cash flow). Nonetheless, none of these studies was specific to the listed Conglomerate Companies in Nigeria. It is in this regard that the present study aims to carry out the study on the impact of operating cash flow on financial performance of listed Conglomerate companies in Nigeria for the period of 10 years (i.e. 2005 - 2014).

This paper therefore consists of five sections, section 1 is an introduction; section 2 reviews literature on cash flow and corporate financial performance; section 3 explains the methodology for the study; section 4 presents and discusses the result of the study and finally, section 5 deals with the conclusion and recommendations for the study.

II. THEORETICAL AND LITERATURE REVIEW

This study is informed on the basis of several theoretical frameworks that operating cash flow affects corporate performance and the extent or degree to the effect depends on operating policy adopted by the company. The theory that emerged and presented a clear direction and firm's behaviour about cash generated from operating activities is Agency cost.

Companies conduct different strategies for survival and developing their activities. One of these activities is attempting to decrease firms' expenses. According to the agency theory, agency conflicts arise from the possible divergence of interest between shareholders and managers of firms. The primary duty of managers is to manage the firm in such a way that it generates returns to shareholders thereby increasing the profit figures and cash flows (Elliot & Elliot, 2002). According to Gul et al (2012), agency costs can be reinforced in different ways; such as advantageous behaviour from a number of managers who focus on increasing their own power or

position, extra consuming from the obtained incomes, ineffective investment decisions and mismanagement in accounting or frauds in firm's business contracts. Negative consequences of these actions emerge as destroying stock holders' assets and properties and also the performance. Murphy (1985) argued that managers tend to increase the size of companies even if it harms the interest of shareholders, as quite often their remuneration and prestige are positively correlated with company size, while according to Boodhoo (2009), the contribution of agency theory is that leverage firms are better for shareholders as debt level can be used for monitoring the managers. Thus, higher leverage is expected to lower agency costs, reduce inefficiency and thereby lead to improvement in corporate performance (Akintoye, 2008). Agency theory therefore examines how management's behaviour could be directed at stockholder's interest by reducing agency cost to increase financial performance.

Several studies have been conducted in the area of cash flow and financial performance. Nevertheless, all these studies focus was on the relationship between the three cash flow components and financial performance

Amah, Micheal and Ihendinihu (2016) examined the relationship between cash flow and financial performance of listed banks in Nigeria. The study sampled four banks listed in the NSE for the period of 9 years (2005 - 2013). Data collected were subjected to statistical analysis using correlation. Net profit as performance proxy was used and the study revealed that cash flow from operating activities has a significant and strong relationship while cash flow from investing and financing activities has negative and weak relationship with performance of the sampled banks.

Nwanyanwu (2015) carried out a study on cash flow and organizational performance of Nigerian Hospitality and Print Media using 45 small and medium enterprises from the two sectors. Data were collected and analyses were done through the means of descriptive statistic and Pearson product moment coefficient of correlations using SPSS. Variables of the study were Net Profit as the dependent variable and cash flow from operating activity as the independent variable. The result indicated that a significant strong positive relationship between cash flow position and net profit. Consequently, cash flow position determines the extent of net profit performance of organizations in the hospitality and print media.

Also Frank and James (2014) examined the relationship between cash flow and corporate performance in the food and Beverages sector of Nigeria. Data used were obtained from the Nigerian Stock Exchange for the period 2007 – 2011 and were analyzed using multiple regression technique. Return on Assets (ROA) represents the dependent variable and the three cash flow components as the independent variables. The study found that Operating and Financing Cash flow have significant positive relationship with corporate performance while investing cash flow and corporate performance have significant negative relationship.

A study on the relationship between cash flow and profitability of small and medium enterprise in Nairobi was conducted by Guda (2013) for the period 2008 – 2012. A descriptive study was applied in this study using primary data obtained from individual small and medium enterprise firms. The data was organized into a panel, analyzed using a fixed effect regression model to obtain coefficients of the variables. The study revealed that there is a significant relationship between profitability and cash flow.

Ghanbari, *et al* (2015) conducted an investigation of cash flows' effect and financial performance of companies listed in Tehran Stock Exchange. Data from 183 companies were collected for the period 2009 – 2013 using statistical features such as efficiency, mean, standard deviation and regression analysis test, Student t test and Fisher F test to analyze on ROA as the dependent variable and Accounting cash flow (ACF), Equity Cash Flow (ECF), Free Cash Flow (FCF) and Capital Cash Flow (CCF) as the independent variables. The researchers found that there is a meaningful relation between accounting cash flow, equity cash flow, free cash flow, capital cash flow with financial performance of listed companies in Tehran Stock Exchange.

Mong'o (2010) analyzed the impact of cash flow on profitability among commercial banks in Kenya over the period from 2005- 2009. It was specifically conducted to explain the influence that various components of cash flows have on profitability growth. Multiple regression models were used to analyze the data and the findings of the study indicate that Cash flow from the financing and the investing activities have a great positive influence on the banks' profit while operating cash flow has a negative effect.

Also, Gheshlaghi, Ahamdzadeh and Faal (2014) carried out a research on the cash flow statement component effect on management performance using 138 firms listed on the Tehran Stock Exchange for the period of 5 years, 2008 – 2012. Using multiple linear regression on the variables Return on Assets (ROA) and

Return on Equity (ROE) as performance measures and the independent variables Cash flow from Financing activities (CFF), Cash flow from Investing activities (CFI), Cash flow from Operating activities (CFO) and Cash flow from Return on Investment and Interest paid to finance (CFRI&SF). The research finding shows that there is negative relationship between cash flows from investments activities and return on assets. Also, there is no relationship between cash flows from operational activities and financing activities and return on assets.

Tariverdi, Amanolahi and Faal (2014) also conducted a study on the effects of components of a 4 part model of cash flow statement on operational performance of listed Tehran Stock Exchange. All firms enlisted in the Stock Exchange were included in a time range of 5 years from 2007 – 2011. The DVs ROA and ROE and IVs, Cash flows resulting from investments' return (CFIR), Cash flows resulting from interest paid for financing (SF), Cash flows of investment (CFI) and Cash flows of financing (CFF) were analysed using Pearson correlation. The study revealed that there is positive relationship between CFIR and ROA and ROE, a negative relationship between SF and ROE and ROE and no meaningful relation between CFI, CFF and ROA and ROE. In Nairobi, Ojode (2014) studied the effect of free cash flow on profitability of firms listed for the period 2009 – 2013 on 30 sampled firms. Using Pearson correlations on data revealed that there is a strong negative relationship between free cash flow and profitability of listed firms.

From the empirical studies reviewed, it has been found that there is no consistency in the use of variable, sector and economy thereby resulting to diversified outcome. The studies of Frank and James (2014) and Ghanbari *et al* (2015) have used ROA; Nwanyanwu (2015); Mongo (2010), Guda (2013) and Amah, Micheal and Ihendinihu (2016) have used NP; Tariverdi, Amanolahi and Faal (2014); Gheshlaghi, Ahmadzadeh and Faal (2014), Velnampy and Kajanathan (2013) have used ROA and ROE; Ojode (2014) have used ROCE; Ali *et al* (2013) and Galogah, Pouaghajan and Makrani (2013) have used SR and Hydari *et al* (2014) have used ROA, ROE, SR and Tobin's q as measures of financial performance. The studies of Hydari *et al* (2014); Ojode (2014); and Galogah, Pouaghajan and Makrani (2013) have used the three cash flow components in their studies of Free cash flow and profitability.

The studies of Frank and James (2014); Nwanyanwu (2015); Ghanbari *et al* (2015) and Amah, Micheal and Ihendinihu (2016) have found that cash flow from operating activities and financial performance have a significant positive relationship while the studies of Mongo (2010), Guda (2013) and Gheshlaghi, Ahmadzadeh and Faal (2014) found that the relationship between cash flow from operating activities and financial performance is significantly negative. Cash flow from investing activities has a significant relationship with financial performance in the studies of Ghanbari *et al* (2015), Guda (2013) and Mongo (2010), while in the studies of Frank and James (2014), Gheshlaghi, Ahmadzadeh and Faal (2014) and Amah, Micheal and Ihendinihu (2016) the relationship is negative. The relationship between the cash flow from financing activities and financial performance is positive according to the studies of Mongo (2010), Guda (2013) and Frank and James (2014) while according to Ghanbari *et al* (2015) and Amah, Micheal and Ihendinihu (2016) it is negatively related.

The difference in the outcome of these studies is as a result of the sectors and economies of the study. Mong'o (2010) and Amah, Micheal and Ihendinihu (2016) studies were conducted on the Banking sector in Kenya and Nigeria respectively while that of Nwanyanwu (2015) and Guda (2013) were on Small and medium Enterprises in Nigeria and Nairobi respectively. Ghanbari *et al* (2015) opined that cash flow can decrease the risk related to operations thereby leading to an increase of companies' performance and Guda (2013) opined that a company generating healthy cash balances will invariably have a high financial performance. Hence, cash flow is absolutely critical for the existence and survival of an organization.

III. RESEARCH METHODOLOGY

This section explains the research design, population of the study, sample size and sampling technique, sources and methods of data collection, techniques of data analysis, variables of the study and their measurements as well as the model specification.

Expost facto design was used for this study owing to the fact that the study utilizes the annual reports and accounts of sampled firms. The relationship between cash flow and corporate financial performance was explored, with cash flow as independent variable and corporate financial performance an dependent variable.

3.1 Population and Sample Size

The population of the study is made up of all listed Conglomerate companies in the Nigerian Stock Exchange, and their years of listing and incorporations are as follows:

Table 1: Population of the Study

S/N	COMPANY NAME	YEAR OF INCORP.	YEAR OF LISTING
1	A.G. Leventis Nigeria Plc	1958	1978
2	Chellarams Plc	1947	1977
3	John Holt Plc	1961	1974
4	SCOA Nigeria Plc	1969	1977
5	Transnational Corporation Nigeria Plc	2004	2006
6	UAC of Nigeria Plc	1931	1974

Source: Generated by the researcher from the NSE 2013/2014 Fact book

Table 1 shows the total population of the study, out of which the sample population was drawn and the criteria for choosing this population was based on year of listing which should be at least 31/12/ 2004 and the availability of data from 2005 – 2014. All companies met these criteria with the exception of Transnational Corporation Nigeria Plc due to unavailability of data. The five (5) companies that emerged were used as sample size for the study, thereby making sampling unnecessary

3.2 Data Collection and Techniques of Data Analysis

Data was extracted from the annual reports and accounts of the sampled companies from 2005 - 2014 which were used for the computation of ratios on cash flow and corporate financial performance and in analyzing the relationship between operating cash flow and corporate financial performance, the study employed Descriptive statistics, Pearson correlation coefficient and multiple regressions as adopted by Pouraghajan *et al* (2013); Velnampy and Kajanathan (2013); Guda (2013); Tariverdi, Amanolahi and Faal (2014) and Gheslaghi, Ahmadzadeh and Faal (2014) with slight modification. A robustness test was conducted in order to improve the validity of all statistical inferences for the study. The tests include Multicollinearity, Heteroskedasticity, Normality and Hausman specification test.

3.3 Study Variables and their measurements

The variables in the research were divided into 3 groups: Dependent variables which are Return on assets (ROA) and Return on equity (ROE); the Independent variable is Cash flow from Operating activities (CFO) and the control variables are Firm Size (Size) and Financial Leverage (FL). The summary of the study variables and their measurements are shown below:

Table 2: Summary of Variables and their Definitions

Variables	Symbols	Variables definitions	
Return on Assets	ROA	Before Tax Net Profit divided by Total Assets _{it}	Dependent
Return on Equity	ROE	Net Profit after Tax divided by Equity	Dependent
Cash Flow from Operations	CFO	Net cash flow from Operating activities of firm _i in the year _t divided by cash and cash equivalent ending	Independent
Size	Size	Natural Logarithm of Total Assets	Control
Financial Leverage	FL	Total Liabilities divided by Total Assets	Control

Source: Developed by the Researcher from literature viewed.

3.4 Regression Model of the Research

Model 1

$$ROA_{it} = \beta_0 + \beta_1 CFO_{it} + \beta_2 SIZE_{it} + \beta_3 FL_{it} + U_{it} \dots \dots \dots 1$$

Model 2

$$ROE_{it} = \beta_0 + \beta_1 CFO_{it} + \beta_2 SIZE_{it} + \beta_3 FL_{it} + U_{it} \dots \dots \dots 2$$

β_0 is the constant coefficient (the intercept) β_1 β_5 is the coefficient of the independent and control variables. This co-efficient of the explanatory variables (β_1 β_5) can be estimated by the use of General Least Square technique.

Panel data was adopted in this study. This combines simultaneously cross section and time series data. The Model adopted in this research study is in line but with slight modification with that of Wang (2010); Pouraghajan *et al* (2013); Ali *et al* (2013); Guda (2013); Velnampy and Kajanathan (2013); Heydari *et al* (2014); Tariverdi, Amanolahi and Faal (2014) and Gheslaghi, Ahmadzadeh and Faal (2014).

IV. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Table 4.1 provides summary statistics for the variables of the study. The summary statistics include, among others, the mean as the measure of central tendency and the measure of standard deviation as a measure of dispersion. These were computed from the statement of financial position and income statements of the sampled companies.

Table 4.1: Descriptive Statistics of the Variables

VARIABLE	MEAN	STD. DEV.	MIN	MAX
ROA	0.058	0.124	-0.422	0.380
ROE	- 0.032	2.099	-14.216	2.731
CFO	1.776	8.543	-6.902	54.500
SIZE	6.955	0.284	6.500	7.423

Source: Generated by the Researcher from the Annual Reports and Accounts of the sampled companies (2016) using Stata (Version 11)

Table 4.1 presents the descriptive statistics of dependent and independent variables of the study. The Table shows the mean, standard deviation, minimum and maximum value. The mean ROA of the sample firm is 6% while that of the ROE is 3%. This result indicates that for every ₦100 worth of total assets employed an average of ₦6 was earned and a maximum of ₦38 as before tax profit, while an average of ₦3 was earned and a maximum of ₦273 as after tax profit on every ₦100 equity share issued. Cash flow from operating activities has a mean of 1.78 and a maximum of 54.5. This indicates that the maximum amount of cash generated from operating activities is ₦5,450 and a minimum of -₦690 of cash out flow. An average of ₦178 was generated by listed conglomerate companies in Nigeria on cash flow from operating activities. The standard deviation of 8.54 shows high level of dispersion. The control variables used in the study reveal that the mean value of Firm Size is 6.75 and a standard deviation of 0.28 indicates a low level of dispersion in size of the companies during the study period. The minimum value of 6.5 and the maximum value of 7.4 indicate that listed conglomerate companies in Nigeria do not differ significantly in size. The mean value of Financial leverage (FL) is 0.52 indicating an average of 52% on the five listed conglomerate companies in Nigeria over the ten years period to 2014. This indicates that most of the sampled companies have a ratio of higher than 50% of total liabilities to total assets and the standard deviation indicate a low dispersion between the mean of 0.25.

4.2 Correlation Results

The correlation matrix table shows the relationship between all pairs of variables in the regression model. In an effort to establish the nature of the correlation between the dependent and the independent variables and also to ascertain whether or not multicollinearity exists as a result of the correlation among variables, Pearson correlation analysis was used to assess the relationship between the variables of cash flow

and corporate financial performance. Table 4.2 presents the correlation between the dependent (ROA and ROE) as well as the explanatory variables (CFO, SIZE and FL) respectively.

Table 4 .2 Correlation Matrix of Dependent and Independent Variables

VARIABLES	ROA	ROE	CFO	SIZE	FL	VIF
ROA	1.0000					
ROE	0.2664	1.0000				
CFO	-0.0559	-0.3504	1.0000			1.77
SIZE	0.2954	0.1354	-0.2403	1.0000		1.33
FL	-0.5011	-0.1583	0.2948	-0.4121	1.0000	1.27

Source: *Generated by the Researcher from the Annual Reports and Accounts of the sample companies (2016) using Stata (Version 11)*

Table 4.2 shows the correlation coefficients on the relationship between the dependent variables (ROA and ROE), independent variables CFO and the control variables (Size and Financial leverage). The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative). The absolute values of the correlation coefficient indicate the strength, with larger values indicating stronger relationships. The correlation coefficients on the main diagonal are 1.0 because each variable has a perfect positive linear relationship with itself. As shown in table 4.2, the correlation coefficient for model 1 shows that the dependent variable ROA and Size is 0.295 and is not close to 1; this indicates the control variable Size is positively weak correlated with ROA, while CFO and FL (-0.056 and -0.501) are negatively correlated with ROA. On the other hand model 2 of the regression show that ROE with Size is 0.135 indicates a positively weak relation, while the correlation coefficient between ROE with CFO and FL (-0.350 and -0.158) respectively indicates that ROE has a negatively weak relation with CFO and FL. Table 4.2 also shows that CFO has a negative relation with Size and positively related with FL

The test for multicollinearity was conducted using Variance Inflation Factor (VIF). The results on Table 4.2 provide evidence of the absence of Multicollinearity. This is because the results of the VIF test ranges from a minimum of 1.27 to a maximum of 1.77 indicating the absence of collinearity problem. According to Baum (2006), the rule of thumb states that there is evidence of collinearity if the VIF is greater than 8 while other researchers argued that even the VIF of not more than 10 portrait non existence of collinearity Tobachnick and Fidell (1996) as cited in (Sabari, 2012).

4.3 Regression Results

Table 4.3 presents the OLS and RE regression results of the dependent variable (ROA and ROE) and explanatory variables (CFO, CFI, CFF, SIZE and FL) of the Conglomerate companies in Nigeria

Table 4.3 Regression Result of operating cash flow and corporate financial performance

Variables	MODEL 1 (ROA)						MODEL 2 (ROE)					
	OLS REGRESSION			RANDOM EFFECT			ROBUST REGRESSION			RANDOM EFFECT		
	Coef	T	P	Coef	Z	p>/z/	Coef	T	P	Coef	Z	p>/z/
CFO	.001	0.54	0.594	.001	0.54	0.591	.005	-0.49	0.626	.054	1.93	0.054
SIZE	.121	2.30	0.026	.121	2.30	0.021	.050	1.22	0.228	.280	0.39	0.700
FL	-.226	-3.94	0.000	-.226	-3.94	0.000	-.155	-3.37	0.002	.092	0.12	0.908
Cons	.686	-1.81	0.077	-.686	-1.81	0.070	-.191	-0.65	0.522	-1.921	-0.37	0.714
R-squared	0.5200						0.6805					
Adj R-squared	0.4654						0.6442					
Within							0.3094					
Between							0.8949					
Overall							0.5200					
F value	9.53						18.74					
Prob>F	0.0000						0.0000					
Normality Test							0.396					
Hausman test												
(Prob>Chi2)	0.2381						0.9943					

Source: Generated by the Author from Annual Reports and Accounts Data of Conglomerate listed Companies in Nigeria using STATA (11)

Table 4.3 presents the OLS, Robust and RE regression results of the variables. The OLS regression result is presented after carrying out various tests in order to improve the validity of all statistical inferences for the study. The tests include Multicollinearity, Heteroskedasticity, Normality and Hausman test.

The result of the heteroskedasticity test reveals that there is no presence of heteroskedasticity in the first model as indicated by the probability of the chi square 0.4651. This signifies absence of heteroskedasticity and the existence of homoskedastacity. For the second model, the result of the test shows a significant probability of 0.0000 at 1% significance levels, which implies that heteroskedasticity exist. This was later corrected through the OLS robust test and robust estimation is considered when there is a strong suspicion of heteroskedasticity or where it exists.

A normality test was conducted to check whether the error of prediction is normally distributed. The Skewness/Kurtosis test was used to check whether residuals are normal. The result indicates a P-value of 0.3956 which is greater than 0.05 suggesting that the normality assumption does hold.

In addition, Hausman specification test for model1 and 2 reveals that RE regression result is more efficient than the FE as evidenced by the prob>chi 0.2381 and 0.9943 which is greater than 5%. Hence, Random Effect is more efficient than the Fixed Effect. Although robust regression, OLS and RE are presented on Table 4.3 the discussion is restricted to only RE

Table 4.3 shows the results of the two models and in model 1 the R² for both the OLS Regression and Random Regression is 0.5200 implying that 52% variation in the dependent variable (ROA) of the listed conglomerate companies in Nigeria is caused by the explanatory variables (CFO, SIZE and FL), while remaining of the change is as a result of other variables not addressed by this model. This shows that 52% of financial performance proxied by (ROA) in the listed Conglomerate Companies in Nigeria is jointly explained by the explanatory variables. Similarly, the value of F- statistics 9.53 and the p-value of 0.0000 at 1% level of significance confirm fitness of the model. In Model 2 the Adj R² for the OLS Robust Regression is 0.6442 implying that 64% variation in the dependent variable (ROE) of the listed conglomerate companies in Nigeria is caused by the explanatory variables (CFO, SIZE and FL), while remaining of the change is as a result of other variables not addressed by this model. This shows, that about 64% of financial performance, proxied by (ROE) in the listed Conglomerate Companies in Nigeria is jointly explained by the explanatory variables. Similarly, the p-value of 0.0000 at 1% implies fitness of the model. The overall R² of the Random Regression depicts 0.6805. This shows that the variable employed in the model explain about 68% variations in the dependent variable ROE of the Conglomerate Companies in Nigeria

The t-value of 0.54 and p-value of 0.594 from both the OLS and Random regression of model 1 shown in Table 4.3 provide some statistical evidence. The coefficient indicates a positive and insignificant relationship between CFO and financial performance (ROA). This shows that an increase in CFO has positive but insignificant impact on financial performance (ROA) of listed Conglomerate companies in Nigeria. In contrast, under model 2, the result of RE regression shows that Cash flow from operating activities has a positive and significant impact on financial performance (ROE) with the z-value of 1.93 and p-value 0.054 at 5% significance level. This implies that as CFO increase financial performance of listed Conglomerate companies will also increase. The possible reason for the insignificant relationship between CFO and financial performance ROA could be as a result of the current assets of the companies were insufficient or the assets are ineffectively utilized to achieve return. The finding of this study is consistent with the studies of Frank and James (2014); Dural, Okepe and Ifunanya (2015) and Amah, Micheal and Ihendinihu (2016) who found a significant positive association between cash flow from operating activities and financial performance. Mong'o (2010) and Ojode (2014); found a negative relationship while Gheshlaghi, Ahamdzadeh and Faal (2014) and Tariverdi, Amanolahi and Faal (2014) discovered no meaningful relationship between cash flow from operating activities and corporate financial performance.

For size and financial leverage, the result of Model 1 shows a positive and significant impact of size on financial performance proxied by ROA (z-value of 2.30 and p-value 0.021) at 1% and 5% significant level. Similarly, Model 2 result indicated that size has a positive and insignificant impact on financial performance (ROE) as shown on Table 4.3, RE regression (z-value of 0.39 and p-value 0.700). This finding can be linked to agency theory where the managers interest is to increase the size of the companies for their benefits and the effect of this result has no meaningful impact on the shareholders return. This implies that firms' size influences financial performance of listed Conglomerate companies in Nigeria and this finding is consistent with the studies of Gheshlaghi, Ahamdzadeh and Faal (2014) and Tariverdi, Amanolahi and Faal (2014).

The result on Table 4.3 shows that financial leverage has a negative and significant impact on financial performance proxied by ROA (z-value of -3.94 and p-value 0.000) at 1% significant level. Similarly, on the same table 4.3 Model 2 shows a (z-value of 0.12 and p-value 0.908) positive and insignificant relationship between financial leverage and financial performance (ROE). These results indicated that as financial leverage increases the financial performance of the sampled firms' decreases. Financial leverage is therefore used to restructure ownership claims and at the same time to change the aims and aspirations of managers to fully maximize the value of the companies' assets at their disposal. This result supports both theoretical and empirical evidence of prior studies of Gheshlaghi, Ahamdzadeh and Faal (2014) and Tariverdi, Amanolahi and Faal (2014).

V. CONCLUSION AND RECOMMENDATIONS

Based on the findings the study concludes that cash flow from operating activities has influence on the financial performance (especially ROE) of listed conglomerate companies in Nigeria. The relationship is positive indicating an increase in cash flow from operating activities will lead to an increase in financial performance of listed conglomerate companies in Nigeria. Financial performance of listed conglomerate companies in Nigeria is therefore influenced by the cash flow generated from operating activities.

In addition, the study concludes that firm size also affects the financial performance of listed conglomerate companies in Nigeria. The results showed evidence of positively significant influence of size on ROA although the effect was insignificant with ROE. Thus, the financial performance of listed conglomerate companies in Nigeria is affected by size. Financial leverage on the hand was found to have a significant negative effect on ROA and a positive effect on ROE. Thus, financial performance of listed conglomerate companies in Nigeria is also affected by financial leverage.

Based on the conclusion it is recommended that Management efficiency is required in managing costs, increasing efficiency and financial performance of listed conglomerate companies in Nigeria. For managers to be more effective and to become more prudent and avoid undertaking risky investments their equity participation should be increased and although increasing financial leverage is one of the possible way of reducing the agency cost associated with equity by restructuring ownership claims at the same time changing the aims and aspiration of managers to fully maximize the value of the company's assets at their disposal. The companies should not rely more on financial leverage because it affects financial performance negatively and

increases the risk of bankruptcy. They should therefore set a policy so as to keep bankruptcy cost at a lower level.

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