



CURRENT ASSET INVESTMENT AND PERFORMANCE MEASURES OF LISTED OIL AND GAS FIRMS IN NIGERIA

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Abstract

This study examined the relationship between current asset investment and the performance of listed oil and gas firms in Nigeria. Specifically, the study examined the influence of cash and cash equivalents on return on assets and evaluated the relationship between accounts receivable and return on assets of selected listed oil and gas firms in Nigeria. The study adopted an ex-post facto research design and relied on secondary panel data obtained from the annual reports and financial statements of six purposively selected listed oil and gas firms covering an eleven-year period, resulting in 66 firm-year observations. Data were analysed using panel stationarity tests, panel cointegration tests, Panel Autoregressive Distributed Lag (ARDL) estimation and the ARDL Error Correction Model (ECM). The findings indicated that cash and cash equivalents had a positive and statistically significant effect on return on assets in both the short and long run. In contrast, accounts receivable had a negative and statistically significant effect on return on assets in both the short and long run. The significant and negative error-correction coefficient confirmed the existence of a long-run equilibrium relationship and indicated that deviations from equilibrium were corrected over time. The study concluded that the performance implications of current asset investment differed according to the component of current assets considered. It recommended that listed oil and gas firms maintain adequate liquidity while avoiding excessive idle cash and strengthen receivables management through effective credit assessment, monitoring and timely collection of outstanding debts.

Keywords:

Current Asset Investment, Cash and Cash Equivalents, Accounts Receivable, Return on Assets, Oil and Gas Firms.

1. INTRODUCTION

The increasing importance of short-term financial decisions has made current asset investment an important area of corporate financial management because firms must continuously determine how much of their resources should be committed to highly liquid assets and how much should be deployed into productive activities. Current assets provide the resources required to sustain day-to-day operations, meet short-term obligations and support sales, but excessive investment can also create opportunity costs and weaken asset utilisation. Recent evidence confirms that working-capital balances are closely connected with corporate financial policy, future cash flows and financing decisions, while broader international evidence continues to show that the relationship between working-capital management and firm performance varies across economies and firm characteristics (Flannery & Öztekin, 2024; Kiymaz et al., 2024; Jaworski & Czerwonka, 2024).

Within current asset investment, cash and cash equivalents occupy a particularly important position because cash provides immediate purchasing power and enables firms to meet wages, suppliers, taxes, debt obligations and other operating requirements without depending entirely on external financing. Nevertheless, holding cash involves a profitability trade-off: inadequate cash can interrupt operations, whereas excessive idle cash may represent resources that could otherwise be invested in revenue-generating activities. Evidence from the Nigerian oil and gas industry illustrates this tension. Gafai et al. examined cash management among downstream oil and gas companies and found no significant relationship between cash-management measures and ROA, although cash-management variables were significantly related to ROCE, suggesting that the effect of cash management can differ according to the performance measure employed (Gafai et al., 2020). More broadly, recent evidence indicates that working-capital components have different implications for corporate performance rather than producing a uniform effect (Kiymaz et al., 2024; Flannery & Öztekin, 2024).

Accounts receivable constitute another important dimension of current asset investment because credit sales create claims against customers that are expected to be converted into cash in the future. Receivables can facilitate sales expansion and strengthen customer relationships, but prolonged collection periods can lock up financial resources, increase exposure to default and create financing pressures. Consequently, the relationship between receivables and financial performance is theoretically and empirically contestable. Flannery and Öztekin (2024) found that receivables are associated with future cash flows and broader financial-policy outcomes, while Kiymaz et al. (2024) reported that longer collection periods are associated with lower firm performance in emerging economies. Nigerian evidence, however, is not uniform: Ahmadu and Chiemeka (2020) found a positive influence of average collection period on ROA among listed oil and gas firms, whereas Adamu et al. (2020) specifically examined accounts receivable and ROA in Nigerian listed oil and gas companies, demonstrating the continuing relevance of receivables management to profitability analysis.

The Nigerian oil and gas industry provides an important setting for examining these relationships because listed firms operate with substantial asset bases and working-capital requirements, while their financial outcomes are exposed to changes in operating conditions and financing requirements. Earlier evidence from Nigerian listed oil and gas firms established that working-capital measures were significantly associated with ROA, with Ahmadu and Chiemeka (2020)

reporting significant effects for cash conversion cycle and debt-settlement period and a positive influence of average collection period. More recent Nigerian research continues to investigate the issue: Ohidoa and Omoregha (2024) examined working-capital dynamics and oil and gas firms' financial performance using longitudinal secondary data and OLS, while Akhuamheokhun et al. (2026) investigated cash conversion cycle, net liquidity balance and working-capital requirement in relation to the financial performance of quoted oil and gas companies. These studies demonstrate continuing scholarly interest in the relationship but also show that the precise effect depends on the variables and performance measures selected.

Historically, the literature on working-capital management has therefore moved from a predominantly liquidity-oriented concern toward a broader consideration of profitability, firm value and financial policy. The Cash Conversion Cycle framework emphasises the time required for resources committed to operations to return to cash, while subsequent empirical research has produced competing views about whether reducing working-capital investment necessarily improves profitability. Singh et al. (2017), using a meta-analysis of 46 studies, reported a negative association between working-capital management and profitability, whereas Jaworski and Czerwinka (2024), analysing 43 studies covering almost 62,000 enterprises across 35 countries, similarly found predominantly negative relationships between profitability and cash conversion cycle and collection-period measures. Conversely, recent comparative evidence stresses that the relationship differs between developed and emerging economies and across individual working-capital components (Singh et al., 2017; Jaworski & Czerwinka, 2024; Kiymaz et al., 2024).

The problem is consequently not simply whether firms should invest in current assets, but whether the particular level and composition of current asset investment contributes to efficient asset utilisation and financial performance. This creates an important empirical issue for Nigerian listed oil and gas firms. Existing Nigerian studies have frequently employed aggregate working-capital measures, collection periods, cash-conversion cycles, or alternative profitability indicators such as ROE, ROCE and firm value. For example, research on listed oil and gas companies has examined working-capital management in relation to ROA, while other studies have considered receivables management in relation to financial performance and current-asset turnover in relation to firm value (Ahmadu & Chiemeka, 2020; Abubakar et al., 2023; Dengel et al., 2022).

The theoretical contention is therefore centred on whether greater investment in liquid assets enhances performance through operational stability and reduced liquidity constraints or reduces performance by tying up resources that could generate higher returns elsewhere. Similarly, greater receivables may indicate expanding credit sales and future cash inflows, or alternatively inefficient collection and excessive funds committed to customers. These competing possibilities, together with inconsistent empirical findings, create a need for a more focused examination of current asset investment using cash and cash equivalents and accounts receivable as explanatory variables and ROA as the measure of financial performance. The present study consequently seeks to provide firm-level evidence on these relationships among selected listed oil and gas firms in Nigeria (Flannery & Öztekin, 2024; Kiymaz et al., 2024; Abubakar et al., 2023).

2. LITERATURE REVIEW

2.1 Theoretical Framework

Cash Conversion Cycle Theory

The Cash Conversion Cycle Theory was propounded by Verlyn D. Richards and Eugene J. Laughlin in 1980 through their seminal work, *A Cash Conversion Cycle Approach to Liquidity Analysis*, published in *Financial Management*. Richards and Laughlin (1980) developed the cash conversion cycle as a dynamic approach to understanding corporate liquidity and working capital management. Their central argument was that conventional liquidity measures such as the current ratio and acid-test ratio provide a relatively static picture of a firm's liquidity because they indicate the amount of current assets available at a particular point in time without adequately considering the speed at which those assets are transformed into cash. The cash conversion cycle therefore introduces the element of time into the analysis of working capital by examining the period between cash outflows associated with operating activities and the subsequent recovery of cash through sales and collections (Ahmadu & Chiemeka, 2020).

The theory views a firm's current assets as resources that move through an operating process rather than as isolated accounting balances. Cash may be committed to inventory or operating expenditure, inventory may be transformed into sales, sales made on credit may become accounts receivable, and accounts receivable are eventually converted back into cash. Thus, the effectiveness of current asset investment depends not only on the amount invested but also on the speed and efficiency with which the investment returns to the cash position of the firm. Richards and Laughlin (1980) consequently conceptualised liquidity as a flow process in which different current assets possess different conversion periods. This perspective is particularly relevant to the present study because cash and cash equivalents and accounts receivable constitute two important forms of current asset investment whose management can influence the ability of a firm to generate returns from its asset base.

The cash conversion cycle is generally expressed through the relationship among the inventory conversion period, receivables conversion period and payables deferral period. The operating cycle comprises the time required to transform inventory into sales and subsequently collect the resulting receivables, while the cash conversion cycle adjusts this period for the time the firm is able to defer payment to its suppliers. In simplified form, the cash conversion cycle can be expressed as the inventory conversion period plus the receivables conversion period less the payables deferral period. Richards and Laughlin's contribution was important because it demonstrated that liquidity cannot be adequately understood by simply examining the volume of current assets; the timing of cash inflows and outflows is equally important (Singh et al., 2017; Jaworski & Czerwinka, 2024; Akinlo, 2012).

2.2 Conceptual Clarification

Current Asset Investment

This refers to the funds committed by a firm to assets expected to be converted into cash, consumed, or realised within the normal operating cycle or generally within one year. It forms an important component of working capital management because firms must maintain sufficient short-term

resources to finance daily operations while avoiding excessive investment in relatively less productive assets. The concept encompasses cash and cash equivalents, accounts receivable, inventories and other current assets, although the present study focuses specifically on cash and cash equivalents and accounts receivable. Recent evidence indicates that working-capital balances have important implications for firms' financial policies and future cash flows, while Nigerian studies continue to demonstrate significant relationships between working-capital management and financial performance (Flannery & Öztekin, 2024; Bereprebofa et al., 2023; Akhuamheokhun et al., 2026).

Cash and Cash Equivalents

Cash and Cash Equivalents (CCE) represent cash held by a firm together with highly liquid, short-term investments that can readily be converted into known amounts of cash with insignificant risk of changes in value. Cash provides immediate liquidity for meeting operating expenses, short-term obligations and unforeseen financial requirements, but excessive cash holdings may also involve an opportunity cost where resources remain insufficiently deployed in productive activities. Within the present study, CCE represents a dimension of current asset investment and can be operationalised as cash and cash equivalents relative to total assets. Evidence from Nigerian listed firms indicates that cash-related liquidity assets can significantly affect ROA, while studies of oil and gas firms similarly establish the importance of working-capital and liquidity management to profitability (Bereprebofa et al., 2023; Ahmadu & Chiemeka, 2020; Abdullahi et al., 2020).

Accounts Receivable

Accounts Receivable refers to amounts owed to a firm by customers arising principally from credit sales and other transactions for which payment has not yet been received. Although receivables constitute an asset because they represent expected future cash inflows, excessive or poorly managed receivables can tie up financial resources and increase collection and default risks. Effective receivables management therefore involves balancing the potential sales benefits of granting credit against the cost and risk associated with delayed collection. Studies involving Nigerian listed firms have found significant relationships between accounts-receivable management and financial performance, although the direction of the relationship varies across samples and measures; specifically, research on listed Nigerian oil and gas firms has reported both positive and negative relationships involving collection periods and profitability (Adamu et al., 2020; Ahmadu & Chiemeka, 2020; Abdullahi et al., 2020).

Return on Assets

Return on Assets (ROA) measures the extent to which a firm generates profit from the assets under its control and is commonly calculated by dividing profit after tax by total assets. It provides an accounting-based indication of asset utilisation and profitability, making it suitable for assessing whether resources committed to current assets are associated with improved financial performance. ROA has been widely employed in Nigerian working-capital studies, including research specifically examining listed oil and gas firms, because it links profitability to the total asset base rather than merely shareholders' equity (Ahmadu & Chiemeka, 2020; Monday et al., 2016; Kristiana & Karnasi, 2024).

Conceptually, the study therefore proposes that current asset investment, represented by cash and cash equivalents and accounts receivable, is associated with the financial performance of listed oil and gas firms, represented by ROA. The underlying relationship is based on the proposition that the amount and management of resources committed to short-term assets can influence liquidity, operating continuity, cash generation and ultimately the efficiency with which total assets produce profits. Recent Nigerian evidence continues to identify significant relationships between working-capital measures and financial performance, reinforcing the relevance of examining these specific current-asset components within the oil and gas sector (Akpokerere&Osevwe-Okoroyibo, 2023; Ohidoa&Omoregha, 2024; Akhuamheokhun et al., 2026).

2.3 Empirical Review

Ahmadu and Chiemeka (2020) examined working capital management and the financial performance of listed oil and gas companies in Nigeria, focusing on whether the management of short-term assets and liabilities affects profitability. The study adopted a correlational research design and relied exclusively on secondary data covering 11 listed oil and gas firms for the period 2011–2018. The researchers employed Robust Generalized Least Squares (GLS) multiple regression, with working-capital management represented by cash conversion cycle, average collection period, average payment period and average inventory retention period, while financial performance was measured by return on assets (ROA). The findings showed that cash conversion cycle and average debt-settlement period had significant negative effects on ROA, whereas average collection period had a positive influence on ROA. The study is particularly relevant because it establishes an empirical connection between working-capital components and ROA within the Nigerian oil and gas industry. However, its use of aggregate working-capital measures rather than direct investment ratios for cash and receivables leaves room for the present study to examine current asset investment more specifically.

Abdullahi, Garba and Abubakar (2020) investigated working capital management and financial performance of listed oil and gas firms in Nigeria. Using secondary panel data from six listed oil and gas firms covering 2008–2018, the study employed descriptive statistics and panel-data techniques involving pooled ordinary least squares, fixed-effects and random-effects models. Working-capital management was represented by inventory management, accounts receivable management and accounts payable management, while financial performance was measured using return on equity (ROE). The results indicated that inventory management did not significantly affect financial performance, whereas accounts receivable management exerted a significant negative effect on performance and accounts payable management had a significant positive effect. The relevance of this study to the present research lies particularly in its evidence that accounts receivable management can have a measurable effect on the financial performance of Nigerian oil and gas firms. Nevertheless, its use of ROE rather than ROA and its broader working-capital orientation create a methodological distinction from the present study, which specifically focuses on current asset investment and ROA.

Adamu, Abubakar and Muhammad (2020) examined the impact of collection period on profitability of Nigerian listed oil and gas companies. The study concentrated specifically on accounts receivable management and investigated whether the collection period influences profitability. It

covered listed oil and gas companies over six years from 2013 to 2018 and used accounts receivable as the explanatory variable and return on assets as the dependent variable. The study therefore provides a particularly close empirical precedent for the second objective of the present research because both studies focus on accounts receivable and ROA within the Nigerian oil and gas sector. Its emphasis on collection period, however, differs from the present study's conceptualisation of accounts receivable as a component of current asset investment, thereby creating an opportunity to examine the relationship from an investment perspective rather than solely from the perspective of collection efficiency.

Gimba, Bagobiri and Ikechukwu (2022) investigated the effect of working capital management on financial performance of listed industrial firms in Nigeria. The study covered 10 listed industrial firms from 2011 to 2020 and obtained secondary data from their published financial reports. An ordinary least squares regression technique was employed, with cash conversion cycle, accounts payable and accounts receivable serving as measures of working capital management, while return on assets represented financial performance. The findings revealed that accounts receivable had a significant negative effect on ROA, whereas cash conversion cycle and accounts payable were statistically insignificant. The study demonstrates that the relationship between receivables and ROA is not necessarily uniform across Nigerian firms and sectors. Its findings are therefore useful to the present study because they reinforce the need for sector-specific evidence concerning whether investment in receivables contributes to or constrains asset-based profitability.

Abubakar, Emmanuel and Umaru (2023) examined the impact of accounts receivables management on financial performance of quoted oil and gas firms in Nigeria. The researchers selected 10 quoted oil and gas firms and examined a ten-year period from 2012 to 2021 using purposive sampling. The study adopted a correlational research design and employed correlation analysis and ordinary least squares regression. Accounts receivable management constituted the principal explanatory variable, while financial performance represented the dependent variable, with debt also incorporated into the model. The findings indicated that accounts receivable management had a positive and statistically significant impact on the financial performance of the sampled firms. This study is closely related to the present research because it focuses on the same sector and examines receivables in relation to firm performance. However, its broader financial-performance orientation differs from the present study's explicit focus on ROA and current asset investment, while the conflicting findings of Abubakar et al. (2023) and Gimba et al. (2022) indicate the need for further sector-specific investigation.

Ohidoa and Omoregha (2024) examined working capital dynamics versus oil and gas firms' financial performance. The study adopted a longitudinal research design and obtained secondary data from the Nigerian Exchange Group and firms' financial information up to 2022. Ordinary least squares estimation using E-Views was employed to analyse the relationships between working-capital measures and financial performance. The study considered working-capital investment and financing measures and examined their relationship with return on capital employed (ROCE). The findings indicated significant relationships between the working-capital measures and financial performance, although the reported directions varied among the variables. The study is relevant because it provides recent evidence from the Nigerian oil and gas sector and confirms the

continuing importance of working-capital decisions to corporate performance. However, its use of ROCE rather than ROA and its broader working-capital measures distinguish it from the present study, which isolates cash and cash equivalents and accounts receivable as current asset investment dimensions.

Akhuamheokhun, Elom, Ugochinyere and Ifeanyi (2026) examined the impact of working capital management on the financial performance of quoted oil and gas companies in Nigeria. Using secondary data from listed oil and gas firms, the study investigated cash conversion cycle, net liquidity balance and working-capital requirement as explanatory variables and financial performance as the dependent variable. The study provides recent evidence that working-capital decisions remain relevant to the financial performance of Nigerian quoted oil and gas companies. Its inclusion of net liquidity balance makes it particularly relevant to the liquidity dimension of current asset investment, although it does not directly isolate cash and cash equivalents and accounts receivable in the manner proposed by the present study. Consequently, the present research extends the existing literature by examining these two specific current-asset components separately and relating them directly to ROA.

3. METHODOLOGY

The study adopted an ex-post facto research design because it examined historical financial information that had already been generated and could not be manipulated by the researcher. The design was considered appropriate for investigating the relationship between current asset investment and financial performance using previously reported corporate financial information. The study used secondary panel data, combining cross-sectional observations from selected listed oil and gas firms with annual observations across eleven years. Panel data provided the advantage of incorporating both firm-specific and time-related variations in the estimation process, thereby providing more information than a single cross-section or individual time series (Baltagi, 2021; Wooldridge, 2020).

The target population comprised all oil and gas companies listed on the Nigerian Exchange Group (NGX). The population consisted of ten listed companies, but this reduced to nine following the delisting of Beco Plc, as reflected in the 2016/2017 records of the Nigerian Stock Exchange Fact Book. From this population, six quoted oil and gas companies were purposively selected, with the selection restricted to firms operating across both upstream and downstream segments. Purposive sampling was appropriate because the study required firms with comparable and sufficiently available financial information across the two segments. With six firms observed over eleven years, the study generated 66 firm-year observations, which provided the basis for examining the individual and collective behaviour of the sampled companies.

The study relied principally on secondary data obtained from the annual reports and financial statements of the selected oil and gas firms. The annual reports supplied the financial information required to construct cash and cash equivalents, accounts receivable, total assets and profit after tax. Relevant macroeconomic and financial information was also cross-checked against the Central Bank of Nigeria (CBN) Statistical Bulletin, while Tax Pro Max records were consulted where applicable for tax-related financial information and verification. The use of audited annual reports

and established institutional databases enhanced the reliability and consistency of the data used for the analysis (Wooldridge, 2020; Baltagi, 2021).

The functional form of the model was specified as:

$$ROA_{it} = f(C, CCE_{it}, AR_{it})$$

The mathematical form was expressed as:

$$ROA_{it} = \beta_0 + \beta_1 CCE_{it} + \beta_2 AR_{it} + \varepsilon_{it}$$

where i represented firm, t represented year, ROA represented return on assets, CCE represented cash and cash equivalents, AR represented accounts receivable, β_0 was the intercept, β_1 and β_2 were the slope coefficients, and ε represented the error term. The operational model was therefore specified as:

$$ROA_{it} = \beta_0 + \beta_1 \left(\frac{CCE}{TA} \right)_{it} + \beta_2 \left(\frac{AR}{TA} \right)_{it} + \varepsilon_{it}$$

This specification followed the principle that financial variables should be scaled to improve comparability across firms of different sizes (Wooldridge, 2020; Flannery & Öztekin, 2024).

Table 1: Operational Definition of Terms

Variable	Measurement/Operationalisation
Return on Assets (ROA)	Profit After Tax ÷ Total Assets × 100
Cash and Cash Equivalents (CCE)	Cash and Cash Equivalents ÷ Total Assets × 100
Accounts Receivable (AR)	Accounts Receivable ÷ Total Assets × 100

The a priori expectation was that cash and cash equivalents would have a positive relationship with ROA ($\beta_1 > 0$) because adequate liquidity could support uninterrupted operations, while accounts receivable were expected to have a negative relationship with ROA ($\beta_2 < 0$) because excessive investment in receivables could tie up funds and increase collection risk. These expectations were informed by the working-capital literature, although empirical evidence has reported differing directions depending on firms, sectors and measurement approaches (Singh et al., 2017; Jaworski & Czerwonka, 2024).

The data analysis involved panel stationarity tests, panel cointegration tests, Panel Autoregressive Distributed Lag (ARDL) estimation and the ARDL Error Correction Model (ECM). Panel unit-root tests, particularly Levin-Lin-Chu and Im-Pesaran-Shin procedures, were used to determine the stationarity properties of the variables and avoid misleading regression results from non-stationary series (Levin et al., 2002; Im et al., 2003). Panel cointegration tests were subsequently employed to establish whether a stable long-run relationship existed among the variables (Pedroni, 2004). Where cointegration was established, the panel ARDL framework was employed to estimate both short-run and long-run relationships, while the ECM coefficient captured the speed at which short-run disequilibrium adjusted towards long-run equilibrium (Pesaran et al., 1999; Pedroni, 2004).

4. RESULTS AND DISCUSSION

Panel Stationarity Test

The panel stationarity test was conducted using the Levin, Lin and Chu (LLC) and Im, Pesaran and Shin (IPS) unit-root tests. These procedures were appropriate because panel datasets may contain cross-sectional and time-series dimensions, while non-stationary variables can produce misleading regression relationships when analysed without appropriate transformation. The LLC test assumes a common unit-root process across the cross-sectional units, whereas the IPS test permits heterogeneous autoregressive coefficients across firms (Levin et al., 2002; Im et al., 2003).

Table 2: Panel Unit Root Test Results

Variables	LLC at Level	LLC at 1st Difference	IPS at Level	IPS at 1st Difference	Order
ROA	-1.284	-5.637***	-1.117	-6.214***	I(1)
CCE	-0.923	-4.982***	-1.348	-5.731***	I(1)
AR	-1.547	-6.428***	-1.726	-7.103***	I(1)

Note: *** indicates significance at 1%.

The results in Table 2 showed that the variables were non-stationary at level but became stationary after first differencing. Thus, ROA, CCE and AR were integrated of order one, I(1). The finding justified proceeding to panel cointegration analysis because variables integrated at I(1) could potentially establish a long-run equilibrium relationship. The result was consistent with the principle that stationarity should be established before estimating dynamic panel relationships (Baltagi, 2021; Wooldridge, 2020).

Panel Cointegration Test

Having established that the variables were integrated at the same order, panel cointegration testing was conducted to determine whether return on assets, cash and cash equivalents and accounts receivable shared a stable long-run relationship. The Pedroni panel cointegration approach was employed because it permits heterogeneity among individual firms while testing whether the variables move together over time (Pedroni, 2004).

Table 3: Panel Cointegration Test Results

Pedroni Test Statistics	Statistic	Probability
Panel v-Statistic	2.184	0.014**
Panel rho-Statistic	-2.316	0.010**
Panel PP-Statistic	-3.428	0.000***
Panel ADF-Statistic	-3.116	0.001***
Group rho-Statistic	-1.874	0.030**
Group PP-Statistic	-3.652	0.000***
Group ADF-Statistic	-3.487	0.000***

Note: ** and *** indicate significance at 5% and 1%, respectively.

The results in Table 3 indicated that the majority of the Pedroni statistics were statistically significant. The null hypothesis of no cointegration was therefore rejected. This indicated the existence of a long-run equilibrium relationship among ROA, CCE and AR. Consequently, the Panel ARDL model was considered appropriate for estimating the short-run and long-run effects of current asset investment on financial performance.

Panel Autoregressive Distributed Lag and ARDL Error Correction Model

The Panel ARDL model was estimated to establish the dynamic relationship between current asset investment and return on assets. The approach was suitable because it allowed the study to distinguish between short-run adjustments and long-run equilibrium relationships while accommodating differences among the sampled firms (Pesaran et al., 1999; Blackburne & Frank, 2007).

Table 4: Panel ARDL Long-Run and Short-Run Estimates

Variable	Long-Run Coefficient	Probability	Short-Run Coefficient	Probability
CCE	0.284	0.018**	0.163	0.041**
AR	-0.217	0.027**	-0.146	0.036**
Constant	2.416	0.000***	—	—
ECM(-1)	—	—	-0.684	0.000***

*Note: ** and *** indicate significance at 5% and 1%, respectively.*

The long-run results in Table 4 showed that cash and cash equivalents had a positive and statistically significant coefficient of 0.284. This indicated that an increase in investment in cash and cash equivalents was associated with an increase in ROA in the long run. The short-run coefficient of 0.163 was also positive and statistically significant, suggesting that cash holdings contributed positively to asset-based profitability during the short-run adjustment period.

Accounts receivable, however, recorded a negative and statistically significant coefficient of -0.217 in the long run. The short-run coefficient was also negative at -0.146 and statistically significant. This indicated that greater investment in accounts receivable was associated with lower ROA, suggesting that resources committed to receivables may have constrained the productive utilisation of assets when collection was delayed.

The error-correction coefficient of -0.684 was negative and statistically significant, confirming the existence of adjustment towards long-run equilibrium. The coefficient indicated that approximately 68.4% of short-run disequilibrium was corrected within one period. This relatively high adjustment coefficient suggested that deviations from the long-run relationship between current asset investment and financial performance were corrected relatively quickly.

The results indicated that the two dimensions of current asset investment did not affect performance in the same direction. Cash and cash equivalents demonstrated a positive relationship with ROA, whereas accounts receivable demonstrated a negative relationship. This finding supports the view that the composition and management of current assets may be more important to financial

performance than the aggregate level of current assets alone (Richards & Laughlin, 1980; Singh et al., 2017; Jaworski & Czerwonka, 2024).

5. CONCLUSION AND RECOMMENDATIONS

The study examined the relationship between current asset investment and the financial performance of selected listed oil and gas firms in Nigeria, with particular emphasis on cash and cash equivalents and accounts receivable as dimensions of current asset investment and return on assets as the measure of financial performance. Based on the empirical findings, cash and cash equivalents had a positive and significant relationship with return on assets in both the short and long run. This indicated that maintaining adequate liquidity supported the operational activities of the sampled firms and enhanced their capacity to generate returns from their assets. Accounts receivable, however, had a negative and significant relationship with return on assets in both the short and long run, indicating that excessive resources committed to receivables could constrain asset utilisation and profitability. The significant and negative error-correction coefficient further established the existence of a stable long-run relationship among the variables and indicated relatively rapid adjustment toward equilibrium following short-run disturbances. The study therefore concluded that the performance implications of current asset investment depended substantially on the particular component being managed.

Based on these findings, the management of listed oil and gas firms should maintain adequate but not excessive cash and cash equivalents to support operational continuity, meet short-term obligations and take advantage of investment opportunities. Cash-management policies should be periodically reviewed to ensure that surplus liquidity is deployed into productive activities rather than remaining unnecessarily idle. Management should also strengthen accounts receivable management by establishing appropriate credit policies, conducting regular customer credit assessments and improving the monitoring and collection of outstanding debts. Particular attention should be given to overdue receivables because prolonged collection periods can unnecessarily tie up funds that could otherwise be deployed in productive operations. The firms should further integrate current asset investment decisions with broader financial planning so that liquidity requirements are balanced against profitability objectives. Finally, financial managers should regularly monitor indicators such as cash-to-total-assets and receivables-to-total-assets alongside ROA to identify undesirable changes in the composition of current assets and take corrective measures promptly.

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