

## **Effect of Working Capital Management on Market Value of Quoted Food and Beverages Manufacturing Firms in Nigeria**

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### **Abstract**

*The success of a firm relies ultimately on its ability to generate cash receipt more than disbursement. Hence, business survival depends largely on its ability to manage its resources most especially its working capital, which are cash and other related short term assets. Therefore, this study examined the effect of working capital management on market value of quoted food and beverages manufacturing firms in Nigeria. Working capital management is proxied by cash conversion cycle, current ratio and quick ratio as independent variables while market value is proxied by market capitalization as dependent variable. Ten years period was covered in the study from 2008 to 2017. Descriptive research design was adopted in the study and multiple regression analysis was used to ascertain the effect of working capital management on firm market value. The result revealed that cash conversion cycle has a negative significant effect on market value of food and beverages manufacturing firms in Nigeria. Current ratio has a positive but insignificant effect on market capitalization and quick ratio has a positive insignificant effect on market capitalization of food and beverages companies in Nigeria. The study concludes that an increase in cash conversion cycle will reduce market capitalization of food and beverages manufacturing firms in Nigeria. The study therefore recommends that food and beverages firms in Nigeria should reduce their conversion cycle in order to generate more profit since it has a negative significant effect on market value.*

Keywords: Working Capital, Market Value, Food and Beverages Companies, Nigerian Stock Exchange

### **INTRODUCTION**

Survival of any business depends largely on its ability to manage its resources most especially its working capital, which are cash and other related short term assets. The manufacturing unit is one of the largest units of the Nigerian economy, and it plays a vital role in developing a nation's economy (Rafiq, 2017). The success of a firm relies ultimately on its ability to generate cash receipt more than disbursement. Flow of cash challenges of numerous businesses are exacerbated by poor management of finances and specifically inadequate planning of cash requirement (Ystrom, 2010). If firms did not consider profit, their survival is not guarantee at long run. In contrast, firms that do not care about cash, might encounter the challenge of bankruptcy, for these purpose management of working capital ought to be a paramount focus since it ultimately influence the profitability of the organization (Ricci & Vito, 2000). Working capital management is important to manufacturing companies with most of their assets being current assets (Saleem&Rehman, 2011). The nexus between profitability and liquidity is important because it determines success or failure of business. If management of working capital is not properly given adequate attention, the firm may fail and go bankrupt (Kargar&Blumenthal, 1994). Each entity(whether profit focused organization or not),regardless of size as well as nature of operations, require the management of

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working capital for organizational survival. Working capital is a significant determinant for profitability, solvency, and survival of business (Mukhopadhyay, 2004). Management of working capital is a critical area while making cash as well as profitability comparisons among entities which involve the choice of the amount and composition of short term assets needed and means of financing the business (Eljelly, 2004). The greater the comparative proportion of short term assets, the lesser the risk of running out of liquidity, all other outcome being equal (Ehiedu, 2014). Shin and Soenen (1998) contend that shareholders value creation depends on the efficient working capital management while Smith (1980) opined that profitability and liquidity are the salient goals of working capital management.

The need of capital in a business operations whether retail shop or large manufacturing company cannot be overlooked. This is because capital is the most frequent determinants in both small as well as large company group (Adebisi&Gbegi, 2013). Therefore, good management of capital that is put into the business results in effective management of finance. All business organizations need an adequate level of working capital. The influence of working capital on profitability is very significant therefore, it should be managed very well (Ehiedu, 2014). In a situation where there is an excess capital for routine operations, it may result in unnecessary acquisition and stockpiling of inventories which may lead to waste. In contrast organization cannot pay day-to-day expenditure of running its activities without proper management of fund. Efficient management of working capital influences liquidity as well as profitability of organizations. However, maintaining an optimal level of working capital is the central part of the problem as it is strongly related to the trade-off between risk and return. Nonetheless, it is difficult to point out as to how much working capital is needed by a particular business organization. The level of financial performance displayed in Nigeria by most business organizations is not sufficient especially with regards to working capital management (Abiodun& Samuel, 2014). In spite of the effort made to attain a good working capital management, there is continuous declining in the level of working capital in the nature of inadequate inflow of cash which cannot sustain daily cash needs of the manufacturing firms. Reduced working capital specifically limit cash, in the long run, causes poor financial performance and survival for the business as it cannot easily pay off creditors (Egbide, Uwuigbe&Uwalomwa, 2013). Therefore, efficient cash management is a basic component of the overall organization policy which assists in generating fund to shareholder.

Some research has been conducted on how working capital management influences profitability and only a few studies have been carried out on market value. Based on the findings currently available, only one study was conducted in food and beverages by Ademola and Kemisola (2014) by using the Account Payment Period (APP), Cash conversion Circle, Stock Conversion duration, Creditors Collection duration, as working capital management measures. The study majorly aimed at achieving how the market value of listed food and beverages manufacturing firms in Nigeria are affected by working capital management while the specific objectives are to:

- i. Ascertain the effect of cash conversion cycle on market value of food and beverages manufacturing firms in Nigeria.
- ii. Examine current ratio effect on market value of quoted food and beverages manufacturing firms in Nigeria.
- iii. Determine the effect of quick ratio on the market value of quoted food and beverages manufacturing firms in Nigeria.

From the above objectives, the following hypotheses were formulated.

**H<sub>01</sub>:** Cash Conversion Cycle has no significant effect on the market value of quoted food and beverages manufacturing firms in Nigeria.

**H<sub>02</sub>:** Current ratio has no significant effect on market value of quoted food and beverages manufacturing firms in Nigeria.

**H<sub>03</sub>:** Quick ratio has no significant effect on market value of quoted food and beverages manufacturing firms in Nigeria.

Thus, the importance of this study cannot be overstated, as it is expected to add to the existing literature and encourage further research.

## **LITERATURE REVIEW**

### **Conceptual Framework**

#### **Concept of Working Capital Management**

Working capital is a financial term which means the amount of capital that is available for business daily transaction. Nwaezeaku (2006) defined working capital as the degree of convertibility to cash with which any asset can be exchanged for cash (sold at a fair market price). Osisioma (1996) opines that the difference between current assets and current liabilities is referred to as working capital which forms the stocks available in meeting future financial demands and contingencies of the organization. Working capital management had become an important issue in organisations where lots of financial administrators, are finding it difficult to recognize the necessary drivers in the form of the determinant of working capital. Therefore, when a business does not manage its working capital properly, it will suffer cash shortages and this may lead to difficulties in paying obligations. As a result, in addition to profitability and value creation, working capital management is vital for ongoing concerns.

#### **Concept of Market Value**

The market value of a firm is the sum of the present value of all assets held by the firm. The market value of a firm can also be taken as the replacement value of its tangible assets (Wang, Lu, Huang & Lee, 2013). The market value of a firm is easiest to estimate for Exchange-traded products such as stocks, share prices, and commodities, since their market prices are widely publicized and readily available and is a little more challenging to determine for over-the-counter instruments like fixed income securities. The concept of market value is mostly used in inefficient markets or in situations of disproportion where prices do not reflect the real market value. The market value is also different from fair value; because fair value depends on the two parties involved in a transaction contrary to market value. Fair value is used as a certainty of the market value of an asset for which a market price cannot usually be determined because there is no established market for the asset (Tsamis & Liapis, 2014).

#### **Concept of Cash Conversion Cycle**

Stewart (1995) ascribed that cash conversion cycle is a complex indicator relating the domicile investment amount in the property into a foreign currency gathered from a customer. Besley and Brigham (2005) as cited in (Gupta, 2017) opined that the duration of period from the purchase and raw materials payment to produce a finished goods is still the collection of debtors receivable linked with high market value in cash conversion cycle since it enhances the effectiveness of using the capital for business operations. Thus, duration of cash conversion cycle is a significant determinant of the effectiveness of management of capital available for operations. The cash conversion cycle according to Richards and Laughlin (2005) is an influential performance indicator for relating how better an organization is managing its capital.

#### **Concept of Current Ratio**

According to Singh (2004), current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

### **Empirical Review**

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Working capital management had become an important issue in organisations where lots of financial administrators, are finding it difficult to recognize the necessary drivers in the form of the determinant of working capital (Lamberson, 1995). Ademola and Kemisola (2014) ascertained the association between working capital efficiency and firm value using Nigerian Stock Exchange-listed food and beverages firms employing survey research design and primary data. Working capital management indicators are debtors Collection Period, stock Conversion duration, creditors Payment duration, Cash conversion Circle, as well as Aggressive Investment Policy while market value was measure by Tobin Q. They found that ACP, ICP, APP, and CCC had a significantly positive effect on market value (Tobin Q). Also, AIP had a positive effect on Tobin Q. The method of data collection used by Ademola and Kemisola may lead to biased result since not every staff will decide to give accurate information about their working capital hence, the result may be misleading.

Emmanuel and Agyapong (2017) study correlation among working capital management and firm value of quoted firms in South African. Regression analysis was employed to obtain the outcome for 75 companies spanned 2003-2012. A significant positive correlation among company value and both inventory conversion as well as receivables conversion periods were obtained from the study. Also, the correlation among the cash conversion cycle and company value is positive but insignificant; while there is a significant positive correlation among accounts payable deferral duration as well as profitability; company size as well as value are significantly positively associated, and there is a significant inverse correlation among leverage and firm value. Limin (2012) study the data of 47 companies airline companies within 2003-2011 on the influence of working capital management on firm value. Working capital management was measure by cash conversion cycle, and the firm value was measure by market value. The outcome indicated a significant inverse correlation among cash conversion cycle and firm value. Therefore, the inverse association becomes weaker after adding more control determinants like-current ratio. This is because working capital management influence entity liquidity and finally affects its value, centred on the outcome, managers can create firm value by decreasing cash conversion cycle.

Bandara (2015) ascertained working capital management policy impact on firm value in Sri Lankan Companies. Data were obtained from 74 listed companies spanning 2009/10-2013/14 with total of 370 firm-year observations. Descriptive statistics, association as well as regression were used as determinants of analysis. Organization working capital investment strategy as well as working capital financing policy (WCFP) served as explanatory determinants. The firm value was determined regarding Market Value Addition (MVA) as a dependent indicator. Result indicates that WCIP as well as WCFP jointly indicated a negative correlation to MVA. A negative significant correlation exists among the firms' degree of aggressiveness of WCIP as well as MVA. It indicated that the minimum amount of investment in short term assets leads to having higher MVA of the entity, while there is no significant outcome to back the negative correlation among WCFP and MVA in any further results. Ehiedu (2014) studied the impact of liquidity on the profitability of some choosing companies using the financial statement analysis (FSA) approach. Ehiedu found that there is a positive significant association between current ratio and profitability, there is no definite significant association between Acid-test ratio and profitability, and there is no significant positive association among return on capital employed as well as profitability.

Egbide, Uwuigbe, and Uwalomwa, (2013) assessed the correlation among Liquidity Management and Profitability of Nigeria Manufacturing Companies, using 30 manufacturing companies spanning 2006-2010. Found that current ratio as well as liquid proportion index is positively related with profitability whereas cash conversion duration is inversely correlated to the profitability of firms, and the correlation in all the cases was, thus, insignificant, showing a small variation of liquidity effect on profitability. Khan, Jawaid, Arif and Khan (2011) assessed a separate analysis of the effect among working capital on profitability of Pakistanis companies. Evidence indicated average collection duration has insignificant influence on profitability apart for sugar as well as allied unit. Also, debt ratio also has the negligible effect on profitability apart for engineering industry. Therefore, average payment duration has negligible

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influence only in sugar as well as allied unit. Stock turnover, current ratio, as well as company size have significant influence on profitability in all areas.

Wasiuzzaman (2015) ascertained the correlation among working capital efficiency and firm value and the influence of financing challenges on this association, in Malaysia. Using ordinary least square regression technique, the study finds that improvement in working capital efficiency via decrease in working capital investment leads to high firm value. Nevertheless, the association is influenced by the financing challenges faced by a firm. In terms of financially challenges by the firm, working capital efficiency significantly increases firm value, but it is discovered to be insignificant for unchallenged organizations.

Edi (2010) examined working capital management effect on market valuation and profitability of 172 Malaysian listed companies spanning 2003 to 2007. Working capital component was measured by cash conversion cycles, current proportion, current asset to total asset index, short term obligations to total asset index, as well as debt to asset ratio to the firm's performance by considering firm's value, Tobin Q, as well as profitability (return on asset and return on invested capital). Correlation as well as multiple regression analysis, was used and outcome indicate a significant negative correlation exist among working capital indicators and company's performance. Therefore, it indicates the significant of managing working capital requirements to ensure an improvement in company's market value and profitability and this characteristic must form part of the firm's strategic and operational thinking so as to operate successfully as well as efficiently.

### **Theoretical Framework**

#### **Operating Cycle theory**

Richards and Laughlin (1980) in their seminar paper, invent this technique with working capital as the main structure of determinant term as the working capital duration. They maintained that the technique is greater to other types of working capital management determinations that depend on proportion analysis or a disintegration of working capital as maintained. Cash Conversion duration is determined by Lessing the payables deferral duration usually  $360/\text{annual creditors turnover}$  from the total of the stock turning duration usually  $360/\text{annual stock turnover}$  and the debtors conversion duration usually  $360/\text{annual receivables turnover}$ . Additional in recent times, the number of days per annum that appears in the denominator as 360 has been substituted by 365 to better accuracy. Jerome and Sydney (1968) recommended that to evaluate perfect level of working capital, operating cycle method has been considered as an effective tool, through which the flow of cash invested is identified throughout, from the stage of purchase of raw materials to finished goods and flow of cash back to business through cash sales or collection from debtors.

The theory of operating cycle centers on explaining a cycle that begins from the payment for the purchase of raw materials, through to its transformation and the emergence of new product, to the collection of receivables from the buyers and possible debtors of the interaction as a result of the stock sale. Undoubtedly, financial managers and all related financial analysts appreciate at least at an intuitive level that all working capital investments do not have the same life expectancy, and their transformation rate to usable flows of liquidity is always not at the same speed (Richard & Laughlin, 1980). Lambrix and Singhvi (1979) employing the working capital duration method to management of working capital further recommended that venture in working capital could be achieved well as flows of cash could be enhanced by decreasing the duration of time of the physical flow from receipt of unprocessed material to consignment of manufactured goods, that is stock management, and by recuperating the terms on which organizations sells goods as well as receipt of cash. According to operating cycle theory when organizations grant more open-minded credit conditions to its customers there is a higher propensity of having a bigger, but in due course less cash investment in cycle (that is, the stock turnover) indicated the number of times with which business organization convert the entirety of their unprocessed materials stock, their work-in-progress and in the end the manufactured goods into product sales.

### **Trade - off Theory**

The trade-off theory means a design that organizations select the combinations of debt finance as well as equality fund to use by considering both the cost and benefits on it. The classical view of the hypothesis goes back to Kraus and Lichtenberger (1973) who taking a balance among the deed–weight. The cost of bankruptcy and the serving benefit of debt. Often agency costs are also included in the balance. Trade-off theory is seldom set up as a competitor theory to the pecking order theory of capital combination. The principal purpose of this theory is the exchange of information which states that corporation is normally financed partially with liability and partially with shares. It opined that there is an edge to fund with liability the tax benefits of debt and there is a cost of financing with debt the costs of financing distress including bankruptcy cost for instance staff leaving, creditors demanding disadvantage payment conditions, bondholder/stockholder internal strife, etc. the marginal benefits of additional increase in debt diminishes as debt proliferate while the marginal cost soars, so that the company that is perking up its total value will aim on this trade-off when selecting how much liability and equity to use for financing.

Though, some literatures had supported the liquidity/profitability trade-off theory. These comprised; Bhunia and Brahma (2011); Welch (2012); Sunny (2013); Ehiedu (2014) and Ravivathani (2015). In these literatures, the significantly negative correlation between liquidity management and profitability were the results. However, this study will draw its base from both the Trade-off Theory and Operating Cycle theory.

### **METHODOLOGY**

Descriptive investigative design has been adopted for this study. We also employ the use of secondary source of data collected from the individual financial reports of the firms from 2008 to 2017(a period of 10 years).The study is limited to all the Food and Beverages manufacturing companies quoted on the Nigerian Stock Exchange as at December 2017 which are 16 while censor is used to sample 9 out of the population.The technique for analyzing the data is the econometric method which makes use of economic hypothesis in combination to estimate the economic variables.The analysis is aided by E-View 9 package andmultiple regression is our tool of analysis.The independent variable is measured using Cash conversion circle, current ratio and quick ratio while the dependent variable is market capitalization.

$$MC_{it} = \alpha_0 + \alpha_1 CCC_{it} + \alpha_2 CR_{it} + \alpha_3 QR_{it} + U_{it}$$

Where;

$MC_{it}$  = Market Capitalization of firm i at time t

$CCC_{it}$  = Cash Conversion Cycle of firm i at time t

$CR_{it}$  = Current Ratio of firm i at time t

$QR_{it}$  = Quick Ratio of firm i at time t

$U_{it}$  = Disturbance Term of firm i at time t

$\alpha$  = Intercept

$\alpha_1 - \alpha_3$  = Coefficient of the Independent Variables.

Variables are in their natural logarithm form.The decision to test the hypothesis of the study is as follows: If the p-value of the t-coefficient is less than 1% (0.01) or 5% (0.05), the null hypothesis is rejected, and otherwise, we fail to reject it.

Multiple regression analysis is employ since it has the following edge: firstly, it has the benefit of giving more informative data as it consists of both the cross-sectional information and time series data which make it panel data for this study. The period is chosen to make the study more recent and the chosen population is considered so as to make a good generalisation on the analysis. Wasiuzzaman (2015), Usama (2012), Khan, Jawaid, Arif and Khan (2011), Ganesan (2007), Afza and Nazir (2007) also used the same method in their studies.

## RESULT AND DISCUSSIONS

The data for the analysis comprises of cash conversion cycle, current ratio and quick ratio as the independent variables and market capitalisation as independent variable. The market capitalization is normalised by the log of the absolute value of company market capitalization. The analysis carried out include the descriptive statistics, variance inflation factor (VIF), of the independent variable, Heteroskedasticity test, correlation result, Histogram normality test and the regression result.

### Data Analysis and Interpretation of Results

**Table 1: Descriptive Statistics**

	MC	CCC	CR	QR
Mean	7.567960	56.40000	0.924000	0.495000
Median	7.426748	73.00000	0.865000	0.430000
Maximum	8.066652	98.00000	1.440000	0.840000
Minimum	7.178017	8.000000	0.560000	0.240000
Std. Dev.	0.311785	38.20054	0.300992	0.212531
Skewness	0.512512	-0.302082	0.370848	0.382813
Kurtosis	1.694296	1.242283	1.724309	1.681797
Jarque-Bera	9.185118	11.51528	7.258329	7.746139
Probability	0.010127	0.003159	0.026538	0.020794
Sum	605.4368	4512.000	73.92000	39.60000
Sum Sq. Dev.	7.679588	115283.2	7.157120	3.568400
Observations	80	80	80	80

**Source: Eview Output (2020)**

Descriptive statistics summarize the variables of the study as well as the total population of study. Market capitalization (MC) has a Mean of 7.567960 which means that the addition to market value as measure by market capitalization is 7.567960 with Median of 7.426748. It also has a standard deviation of 0.311785. The market capitalization Skewness is 0.512512 and Kurtosis of 1.694296. The probability of Jarque-Bera indicates that it is not normally distributed because it has a probability which is less than 5%. Cash conversion cycle (CCC) has a Mean of 56.40000 which means that the time taken for food and beverages firm to convert their raw material to cash is 56.40000 with Median of 73.00000. The maximum and minimum days taken to convert raw material to cash are 98 days and 8 days respectively. The standard deviation of cash conversion cycle is 38.20054 while, Skewness is -0.302082 and Kurtosis value of 1.242283. Cash conversion cycle is not normally distributed because the probability of Jarque-Bera is less than 5%. The current ratio (CR) mean is 0.924000 with a median of 0.865000. It also has a standard deviation of 0.300992 which signifies that current ratio not is normally distributed and skewness of 0.370848 while the kurtosis stand at 1.724309. In like manner, quick ratio has a mean of 0.775000 with median of 0.670000. Furthermore, its standard deviation is 0.495000 and 0.382813 for Skewness and 1.681797 for kurtosis.

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From the result, it means that maximum market capitalisation of food and beverages firm in Nigeria is 8.066652 kobo as maximum addition based on the working capital management while its corresponding minimum value is 7.178017 kobo. In the same vain, Maximum CR is 1.440000 and 0.560000 for its minimum value. The maximum and minimum value of quick ratio is 0.80000 and 0.240000 which means that the current ratio has a maximum distribution based on working capital management to the extent of 0.80000. The total observation of the data is 80.

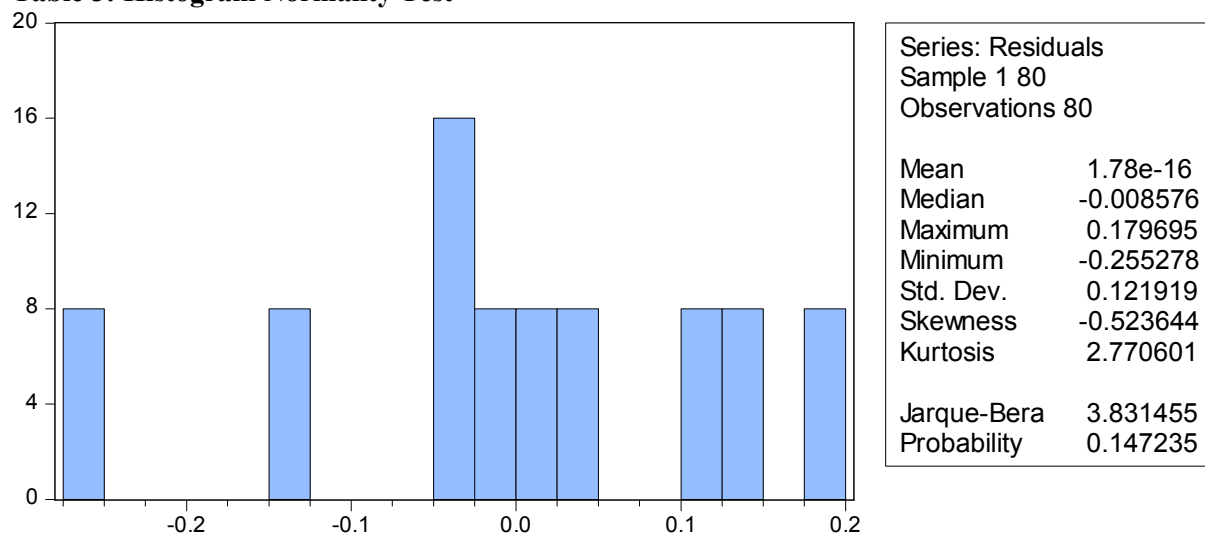
**Table 2: Correlation Result**

	MC	CCC	CR	QR
MC	1.000000	-0.917949	-0.726343	-0.622106
CCC	-0.917949	1.000000	0.831523	0.726925
CR	-0.726343	0.831523	1.000000	0.972602
QR	-0.622106	0.726925	0.972602	1.000000

**Source: EviewOutput (2020)**

The correlation result indicates that market capitalization has a negative correlation with all working capital management as indicated by the result with cash conversion cycle to the extent of -91.8% while - 0.726343 to current ratio and -0.622106 to quick ratio.

**Table 3: Histogram Normality Test**



**Source: EviewOutput (2020)**

The result from the normality result indicates that the variables are normally distributed because the probability of Jarque-Bera is 0.147235 which is greater than 5%.

**Table 4: Summary of Regression Result**

Variables	Coefficient	t-values	P-values	VIF
Constant	7.931604	83.79022	0.0000	
CCC	-0.008232	-9.208415	0.0000	5.413815
CR	0.082517	0.246208	0.8062	4.723940
QR	0.049299	0.128401	0.8982	3.091025



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R <sup>2</sup>	0.847092			
Hausman	1.0000			
Adj. R <sup>2</sup>	0.841057			
F-stat.	140.3441			
F-sig.	0.000000			
Heteroskedasticity Obs R-square	25.60505			
Heteroskedasticity Prob	0.3220			

**Source: EviewOutput (2020)**

Breusch-Pagan Godfrey was used to test for the presence of heteroskedasticity and the results shows Obs R-square and prob of 25.60505 and 0.3220 respectively. The result indicates the absence of heteroskedasticity. Variance inflation factor of cash conversion cycle, current ratio and quick ratio is 5.413815, 4.723940 and 3.091025 respectively which indicate that the independent variables are moderately correlated. Hence, there is no multicollinearity between the variables. From the result of Hausman test, random model is more appropriate because the P-value is 1.0000 which is greater than 5%. Therefore, the interpretation of the result is based on the random model result. The coefficient of determination R-square is 0.841057 which means that the independent variables used in the study explained variation in market value to the extent of 84% while the remaining variation is explained by other variables not captured in the model. The model is fit with f-statistics of 0.000000 and cash conversion cycle has a negative significant effect on market capitalization with p-value of 0.0000 which means that cash conversion cycle will influence market value of food and beverage manufacturing firms in Nigeria. Also, current ratio has a positive but insignificant effect on market capitalization with p-value of 0.8062 which is greater than 5% level of confidence. This means that current ratio has no significant influence on market value of food and beverages firms in Nigeria. Quick ratio has a positive but insignificant effect on market value of food and beverages firms in Nigeria. Cash conversion cycle has coefficient of -0.008232 which means that market value will decrease by same amount if firms does not minimize the number of cash conversion cycle and its t-statistics is -9.208415. Also, the coefficient value of current and quick ratio is 0.082517 and 0.049299 respectively. Since the variables have no significant effect on market value, it therefore means that current ratio as well as quick ratio will not influence market value of food and beverages firms in Nigeria. Its corresponding t-statistics is 0.246208 and 0.128401.

**Discussion of Findings**

The result of the model reveals that cash conversion cycle has negative significant effect on market value of food and beverages firms in Nigeria as shown by the p-value of 0.0000 which means that increase in cash conversion cycle will decrease the market value of food and beverage companies in Nigeria. It therefore means that food and beverages companies in Nigeria should shorten the days of cash conversion cycle which will translate to increase in their market value. The result of the effect of cash conversion cycle on market value of this study is consistent with the study conducted by Daniel and Ambrose (2013), Egbide, Uwuigbe and Uwalomwa (2013), Limin (2012), Quayyum(2012), Benos-Caballero, Garcia-Teruel and Martinez-Solano (2011), Alipour (2011), Raheman and Nasr (2007) that cash conversion cycle has a negative significant effect on market value but inconsistent with the studies of Ademola and Kemisola (2014), Usama (2012), Sharma and Kumar (2011), Samuel and Benjamin (2011), Lazaridis and Tryfonidis (2006) that cash conversion cycle has positive effect on market value.

Also, the result reveals that Current ratio has insignificant effect on market value of food and beverages firms in Nigeria which is align to the study of Hayajneh and Yassine (2011), Ganezsan (2007) and Lyroudi and Lazardis (2000) but inconstant with the study of Ehiedu (2014) and Khan, Jawaaid, Arif and Khan (2011) that current ratio has significant effect on market value of firms. Furthermore, quick ratio has

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positive insignificant effect on market value of food and beverages firms in Nigeria which is consistent with the findings of Ehiedu (2014) and Lyroudi and Lazardis (2000). The result evidence that working capital management explained variation in market value to the extent of 32%. Also, from the result, current ratio and quick ratio has no significant effect on market value of food and beverages firms in Nigeria under the period of study.

### **CONCLUSION AND RECOMMENDATION**

The study examined the effect of working capital management on market value of food and beverages companies in Nigeria. From the analysis, cash conversion cycle has negative significant effect on market capitalization. The study therefore concludes that, cash conversion will decrease market value if the company did not reduce their conversion cycle since it has negative significant effect on market value. Current ratio has positive insignificant effect on market capitalization of food and beverages companies in Nigeria. The study therefore concludes that other factors that influence market value should be look into since it has no significant effects its market value. Also, the study concludes that quick ratio has positive insignificant effect on market capitalization of food and beverages companies in Nigeria. Current ratio and quick ratio will not affect market value of food and beverages firms in Nigeria since they have insignificant p-values. Based on the finding of the study, the study recommends that:

- i. Food and beverages firms should understand the association that exists between various working capital components and market value and the direction that they affect the market capitalization for effective management of the working capital
- ii. Also, manager must increase the efficiency and effectiveness of working capital management most especially current ratio since Potential creditors use this ratio in determining whether or not to make short-term loans and also give a sense of the efficiency of a company's operating cycle or its ability to turn its product into cash.
- iii. Food and beverages companies should manage its quick ratio which is the management of short term financial liabilities because this will enhances the market value of an organization.

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