Volume **XVI**/2021 ISSN 2344-102X
Issue (XXVI) / **June** 2021 ISSN-L 2344-102X

FINANCIAL STRATEGIES AND FIRMS' FINANCIAL PERFORMANCE: EVIDENCE FROM SELECTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract
Inappropriate application of financial strategies decisions is a major problem firms faced for effective financial resources utilization; the study therefore reviewed the effects of financial strategies on firms' financial performance with focus on Consumer Goods sector. Three financial strategies such as working capital strategy (QR and WCR), financing strategy (DR and ER) and investment strategy (EPS and DPS) were considered, while performance was proxy with ROA. Ex-post facto research design was adopted and twelve firms were purposefully selected. Secondary data were sourced from the Annual reports of the sampled firms for fourteen years (2006 – 2019). Descriptive statistics, panel unit root test, panel co-integration test and panel least squares test were used to analyze the data. The results of the study showed that 47.4% variation in ROA is caused by the three combined financial strategies adopted, but when assessed individually, working capital strategy and financing strategy have no significant effects on return on assets, while investment strategy has effects on return on assets. Therefore, the study recommended that cutting-edge financing strategy for proper mix of debt to equity has to be considered and the combination of current and non-current assets in financing short term obligations should not be neglected as these will improve performance.

Key words: *financial strategy; financing strategy; investment strategy; return on assets; working capital strategy*

JEL Classification: *G11, G31, M41*

I. INTRODUCTION

The choice of strategies adopted by firm's management is crucial for adequate funds utilization to meet set financial objectives, optimal resource utilization and proper investment in capital projects which are fundamental to their going concern and survival. According to Johnson, Scholes and Whittington (2008), "strategy can be defined as direction and scope of an organization over a long term which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder expectations". Firm's level of strategy includes corporate level strategy, business-level strategy and functional level strategy. Financial strategy is a component of functional strategy which links company's corporate and business strategy for long term period decision making. Živělova (2014) defined financial strategy as strategic financial operations that ensures achieving strategic financial objectives for a specified period. Financial strategy is a research focus aspect of financial management as financial management is described as the process of managing financial resources of firms which encompasses financial reporting, cost accounting, risk management and capital budgeting process (Kautz, 2007).

Financial strategies approached can be classified into three, namely; aggressive financial strategy (financing long term assets with short term resources), conservative financial strategy (financing current assets during seasonal market fluctuations with long term resources) and balanced/matching financial strategy (financing long term assets with long term resources and via versa). Financial strategies are classified into dividend strategy, working capital strategy, investment strategy and financing strategy; these strategies are crucial to the optimal performance of every organization (Cosmulese & Hlaciuc, 2019). Dividend strategy involves adoption of strategy that will assist to meet shareholders' wealth maximization., working capital strategy involves strategy to attain the liquidity position of an organization, investment strategy focuses on determining the best investment project to achieve optimum returns, while financing strategy focuses on determining the best optimal finance mix between debt and equity (Režňakova, 2012). One of the major challenges of financial strategies is conflicting interest

Volume **XVI**/2021 ISSN 2344-102X
Issue (XXVI) / **June** 2021 ISSN-L 2344-102X

between achieving shareholders' wealth maximization, reinvestment of optimal returns in an investment project(s) and the effects of retained earnings on the financial position of the firm. The issue of inappropriate application of financial strategies decisions is a major problem for effective financial resources utilization because this will affect liquidity position, activity/efficiency level, profitability, leverage (debt to equity) and investment returns.

Performance is an important indicator in financial strategies, it shows if a firm is achieving its objectives based on the strategies adopted. According to Neely, Gregory and Platts (as cited in Al-Matari, Al-Swidi & Fadzil, 2014) "performance measurement refers to the process of measuring the actions efficiency and effectiveness". Investors, stakeholders and general public use firm's performance as a yardstick to invest and make general conclusion on the going concern of the firm. Among the major objectives of every firm is wealth maximization and achieving this objective could only be through efficient and effective performance which can measured using different variables such as profitability, return on equity, return on capital employed and return on assets. For this study, the dependent variable (performance) is measured using return on asset, while the independent variables such as working capital strategy, financing strategy and investment strategy are measured using quick ratio and working capital ratio, debt ratio and equity ratio, and earning per share and dividend per share respectively.

Most previous works on financial strategies were carried out in banking sector and non-profits organizations (Masoud, Babak, Mehrdad, & Farshid, 2015; Adesina, Oyewo &Akinjare (2016); Bakhit & Alamin, 2016) but none considered manufacturing sector. An aspect of financial strategies has been considered by Okolocha, John-Akamelu and Ezejiofor (2019), but the examination of the combination of working capital strategy, investment strategy and financing strategy and their effects on firms' financial performance in a single study has not been considered, thereby, creating a gap which this study intends to fill. Therefore, the study investigates the effects of financial strategies on firms' financial performance with focus on manufacturing firms in Nigeria.

I.1. Objectives Of The Study

The main objective of this study is to examine the effects of financial strategies on firms' financial performance. Other specific objectives include:

i. To examine the effects of working capital strategy on return on assets.
ii. To evaluate the influence of financing strategy on return on assets.
iii. To assess the effects of investment strategy on return on assets.

I.2. Research Hypotheses

The following hypotheses are stated in the null form:

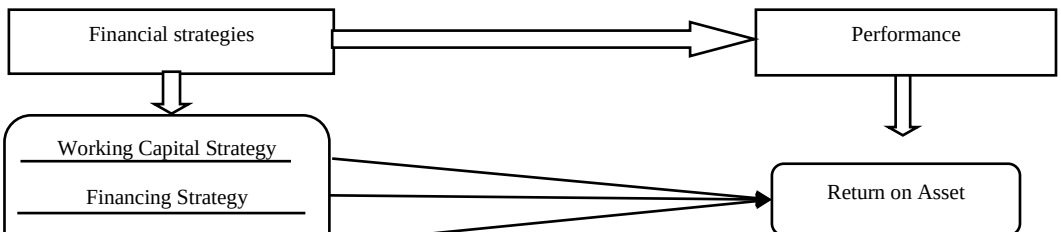
Ho_1: Working capital strategy does not have significant effect on return on assets
Ho_2: There is no significant effect of financing strategy on return on assets
Ho_3: Investment strategy does not have significant effect on return on assets.

II. Literature Review

II.1. Conceptual Review

Strategy can be categorized into three such as functional strategy, corporate strategy and business strategy. Financial strategies are components of functional strategy which help to achieve operational objectives; it links corporate and business strategy of a company together. Corporate strategy is a strategy for long term period which is meant for the whole activities of the firm in order to achieve stated objectives, while business strategy covers business unit of firms (Landa & Polak, 2008). Bender and Ward (2012) identified components of financial strategies as adopting appropriate medium for funds raising and adequate fund management as well as making critical reinvestment decisions and equitable distribution of generated profit or return.

In order to achieve an optimal implementation of a company's strategies, decisions regarding capital funding of investment, best dividend policy, level of liquidity needed and the best finance mix, that is equity and debts have to be made. Masoud et al. (2015) classified financial strategies into dividend strategy, working capital strategy, investment strategy and financing strategy. The relationship between financial strategies and performance is shown on Figure 1 below.



Volume **XVI**/2021 ISSN 2344-102X
Issue (XXVI) / **June** 2021 ISSN-L 2344-102X

Figure 1 – Conceptual Framework of Financial Strategies on Performance
Source: adapted after Masoud et al., 2015

Financial strategies are considered from the view point of working capital strategy, financing strategy and investment strategy, while return on asset is used to represent performance.

II.2. THEORETICAL FRAMEWORK

The study is anchored on three major theories such as pecking order theory, cash management theory and trade-off theory. Pecking order theory was propounded by Danaldson (1961) which states that a firm should prefer to finance itself first internally through retained earnings, but if the source of finance is unavailable, then the firm should then finance itself through debt. Myers and Majluf (1984) later modified the theory and suggested that firms should use internal funds first, if expended, debt will be issued and when it is unwise to finance via more debt, internal issuance of equity will be necessary. The theory postulates that cost of financing increases with asymmetric information; this explained why managers know more about a firm than the investors in terms of risks, challenges, prospects and value of the firm. The choice of financing is affected by asymmetric information; therefore, better financing strategy will enhance operational efficiency that will increase profitability, liquidity and solvency position of the firm.

Baumol (1952) proposed cash management theory which examined the utilization or management of surplus funds through optimal use of stock supply quantities. The Baumol model which is also known as Baumol-Allais-Tobin (BAT) was modified by Tavor, Gonen, Weber and Spiegel (2018). The theory assumes constant distribution of the aggregate cash flows with very low levels of mean and standard deviation. This is a stochastic or a probabilistic model which accepts instability in financial management. It accepts that the day-by-day cash flows are unverifiable and, in this manner, take after a trendless random walk. The theory relates to working capital strategy as it explains perfect level of funds or cash to be kept in order to reduce wastage and theft which will help firm's to achieve financial objectives and guide against insufficient level of finance.

Trade-off theory was promulgated by Kraus and Litzenberger (1972) and it states that the level of debt-to-equity financing depends on the costs and benefits of the sources of finance. The theory simply means trade-off between benefits and costs in financing investments by determining the marginal costs and benefits depending on the preference of the stakeholder's comparability. Therefore, financing strategy which is based on debt-to-equity financing is fixed on the trade-off theory.

II.3. EMPIRICAL REVIEW

Mubashir, Raheman and Zulfiqar (2012) examined the co-alignment among corporate strategy, financial structure and firm performance in non-financial sector of Pakistan. One hundred and fifty-eight (158) publicly listed companies' financial statements from Karachi stock exchange for 1998-2009 were examined. Variables such as sales growth, liquidity and growth were used as proxies for organizational strategy, while to firm's performance proxies were return on assets and free cash flows. Hence, it revealed that free cash flows have a positive impact on the organization growth and liquidity, while it shows a negative impact on debt ratio to return. The study conducted by Younus, Ishfaq, Usman and Azeem (2014) on capital Structure and financial performance of Sugar industry in Karachi Stock Exchange Pakistan for the period of six years (2006-2011) revealed that debt has insignificant impact on performance in Sugar industry. It also indicated that much financial resources were not required in Sugar firms in Pakistan. Thus, there is insignificant relationship between capital structure and performance. Chen (2014) research on manufacturing firms in Vietnam indicated that efficiency in strategic financial management practices such as strategic accounting information system, capital structure and strategic financial planning and good performance in financial characteristics such as liquidity and business activity has greatly impacted positively on financial performance. Samih, and Zubi, (2014) studied listed companies in Jordanian stock exchange market for 2013. The result showed the role of financial indicators as a tool to rationalize investment decision. It revealed high correlation between financial indicators and investment decision.

Masoud, Babak, Mehrdad, and Farshid (2015) investigated twenty-four (24) Iranian banks covering period from 2010-2014. The study revealed that financing strategy did not influence significantly on economic added

Volume **XVI**/2021 ISSN 2344-102X
Issue (XXVI) / **June** 2021 ISSN-L 2344-102X

value and net interest margin. In contrast, impact of investment strategy on economic added value and net interest margin was confirmed. Wan-Mohd, Norlia, Anizawati and Wan (2016) conducted research on seventy-six (76) Malaysian public listed firms in Bursa Malaysia covering balanced panel data series for the period of 1994-2007. The study examined the impact of financing decision on performance and it discovered that capitals structure has insignificant relationship with performance. Yensu, Yiadom, and Awatey (2016) researched on ninety-eight (98) enterprises comprising of both manufacturing and trading enterprises in Obuasi Municipality, Ghana. The study investigated the impact of financial management practices on profitability of business enterprises. The analysis of the collected data, however, revealed that working capital management has a positive and significant effect on the profitability of business enterprises but capital budgeting management has a negative relationship with the enterprises' profitability. The findings further showed that cash management theories have not been fully enforced by the enterprises in Obuasi Municipality.

Adesina et al. (2016) conducted research on two non-profit organizations; a faith-based and a community-interest organization. The research adopted a field-based approach by evaluating financial management practices of organizations using methods such as interviews, study of documents, artifacts and published annual reports. The research found out that though the two organizations were fully aware of the risks involved in the management of finance, different strategies were adopted to mitigate the risks. Thair (2017) conducted research on 10 industrial listed companies in Amman Stock Exchange for 2011 to 2015. The study revealed that profitability indicators showed a positive significant impact on investment decision. Okolocha, John-Akamelu, and Ezejiofor (2019) research on 8 beverage firms listed on the floor of Nigerian Stock Exchange to ascertain the significant effect of short term and long-term debt on profits of quoted beverage companies in Nigeria. The study observed that short term debt has positive significant influence on profit of quoted beverage companies in Nigeria while long term debt has no significant effect on profit of quoted beverage companies in Nigeria.

III. METHODOLOGY

The study made used of ex-post facto research design, while judgmental sampling technique was adopted to select twelve (12) firms from Nigerian Consumer goods sector. Secondary data were sourced from firms' financial annual reports for 2006 to 2019. The dependent variable is performance and is represented by return on assets (ROA), while the independent variables are working capital strategy proxies by quick ratio and working capital ratio; financing strategy proxies by debt ratio and equity ratio; and investment strategy represented by dividend per share and earning per share. Panel regression was adopted to estimate the parameters in order to reveal the effects of financial strategies on financial performance via linear function under the standard assumptions. The statistical tools used for data analysis was E-views statistical software 9.0.

The model for the study of is specified below:

$$ROA_{it} = \beta_0 + \beta_1 QR_{it} + \beta_2 WCR_{it} + \beta_3 DR_{it} + \beta_4 ER_{it} + \beta_5 EPS_{it} + \beta_6 DPS_{it} + \varepsilon_{it} \qquad (1)$$

Where: ROA = Return on Assets
QR = Quick Ratio
WCR = Working Capital Ratio
DR = Debt Ratio
ER = Equity Ratio
EPS = Earnings Per Share
DPS = Dividend Per Share
β_0 = Intercept Coefficient
β_1 - β_6 = Partial Regression Coefficients of Independent Variables
ε = Error Term
i= 1, 2, …, 12 (individual firm); *t* = 2006, 2007, …, 2019

IV. RESULTS AND FINDINGS

IV.1. DESCRIPTIVE STATISTICS

Table 1 shows the descriptive statistics of all variables under consideration. ROA was negatively skewed with a value of -4.9373 and it indicated that the data were symmetrical in nature. Jarque-Bera statistic of 7246.542 with $p<0.05$ indicated that the null hypothesis of normality was rejected which means that the data were not normally distributed. Quick Ratio, Working Capital Ratio, Debt Ratio, Dividend per Share and Earnings per Share series with skewness of 1.2016, 0.6478, 3.7833, 2.3951 and 0.6942 respectively suggested that all the variables were positively skewed and asymmetric in nature since none of these values were less than or equal to zero, while Earnings per Share was -3.7843 which showed that it was negatively skewed and symmetrical in nature. The

Volume **XVI**/2021 ISSN 2344-102X
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Jarque-Bera statistic of 51.8182, 11.8338, 1630.326, 1631.707, 377.7723 and 555.3781 for Quick Ratio, Working Capital Ratio, Debt Ratio, Equity Ratio, Dividend per Share and Earnings per Share respectively with $p<0.05$ also showed that all the dependent variables were not normally distributed.

Table 1. Descriptive Statistics of Dependent and Independent Variables

Test	ROA	QR	WCR	DR	ER	EPS	DPS
Mean	0.0358	0.7356	1.1277	1.5364	-0.5413	10.6485	15.6209
Median	0.0976	0.6265	1.0209	0.6103	0.3857	1.5950	3.5650
Maximum	0.4336	2.6364	3.2382	19.4406	0.6840	100.0000	291.0000
Minimum	-3.1033	0.0042	0.0042	0.3153	-18.4406	-8.2000	-250.5400
Std. Dev.	0.3968	0.5238	0.6705	3.5326	3.5311	19.5779	54.6309
Skewness	-4.9373	1.2016	0.6478	3.7833	-3.7843	2.3951	0.6942
Kurtosis	33.622	4.2757	3.1096	16.2533	16.2596	8.5697	11.7984
Jarque-Bera	7246.542	51.8182	11.8338	1630.326	1631.707	377.7723	555.3781
Probability	0.0000	0.0000	0.0027	0.0000	0.0000	0.0000	0.0000
Sum	6.0134	123.5758	189.4490	258.1168	-90.9399	1788.939	2624.315
Sum Sq. Dev.	26.2964	45.8142	75.0752	2083.986	2082.224	64010.19	498418.0
Observations	168	168	168	168	168	168	168

Note: dependent variable: Performance

Source: Researchers' computation, 2020 using E-view

IV.2. Graphical Presentation of Variables

According to Figure 2, ROA showed a gallop slope from 2006 to 2010, then continuous decline in trend from 2011 to 2012; thereafter, continuous fluctuations till 2019. QR showed a decrease from 2006 to 2013, then a slight increase to 2016 before a gallop in slope in 2017; then a fall till 2019 (see Figure 3).

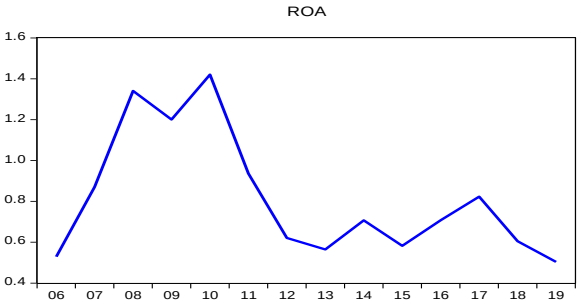

Figure 2 – Return on Assets Trend
Source: Own elaboration based on E-view

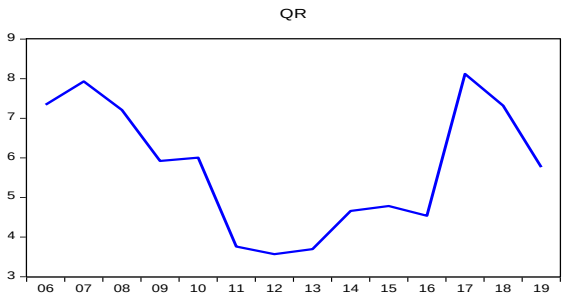

Figure 3 – Quick Ratio Trend
Source: Own elaboration based on E-view

According to Figure 4 there was a decrease in WCR from 2006 till 2013, before a slight increase and a gallop in 2017; thereafter, it dwindled till 2019. DR increased from 2016 to 2009, then a slight fall in 2010, before a gallop till 2013, then it fell till 2017 before an increase till 2019.

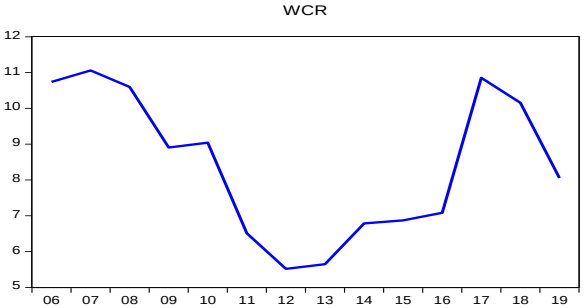

Figure 4 – Working Capital Ratio Trend
Source: Own elaboration based on E-view

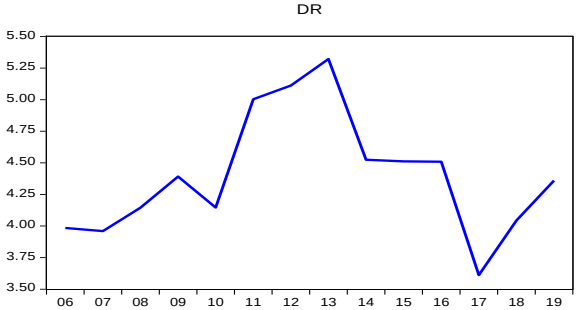

Figure 5 – Debt Ratio (DR) Trend
Source: Own elaboration based on E-view

Volume **XVI**/2021 ISSN 2344-102X
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According to Figure 6 it can be observed that for the ER, it fell drastically from 2006 to 2013 before there was an increase to 2017, but since 2017 to 2019, there was a drastic fall. EPS had a gallop from 2007 to 2008 before it drastically declined to 2013 (see Figure 7).

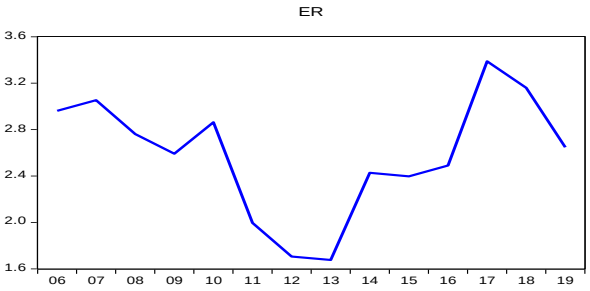

Figure 6 – Equity Ratio Trend
Source: Own elaboration based on E-view

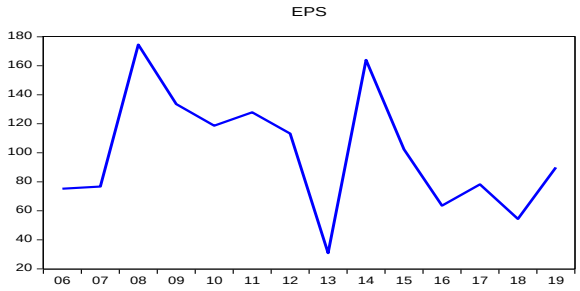

Figure 7 – Earnings per Share Trend
Source: Own elaboration based on E-view

According to Figure 8 it is observed that the DPS starting with 2013, it galloped till 2014 before it declined again till 2016; later, a fluctuation follows.

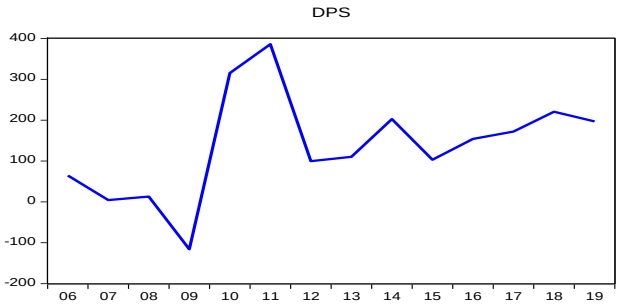

Figure 8 – Dividend per Share Trend
Source: Own elaboration based on E-view

DPS declined from 2006 to 2009 before a gallop to 2011, it later decreased in 2012; then, fluctuations follow till 2019.

IV.3. PANEL UNIT ROOT TEST

The study applied Levin, Lin and Chu; Im, Pesaran and Shin; ADF-Fisher chi-square and PP-Fisher Chi-square panel unit root tests to check the stationarity of data (see Table 2). The results showed that QR and EPS are stationary at level with p=0.00<0.05; therefore, we reject the null hypothesis, while ROA, WCR, DR, ER and DPS with p>0.05 indicated that the variables are not stationary at level. ROA, WCR, DR, ER and DPS were tested at first difference and it revealed that p<0.05 which suggested that the null hypothesis should be rejected at I (1); thus, the variables were stationary at I (1). These results necessitated that panel co-integration test would be necessary.

Table 2. Panel Unit Root Test

Variables	Levin Lin & Chu: p-value	Im, Pesaran and Shin: p-value	ADF-Fisher chi-square: p-value	PP-Fisher Chi-square: p-value
@ Level				
ROA	0.2722	0.3628	0.2651	0.1612
QR	0.0000***	0.0036***	0.0040***	0.0030***
WCR	0.4797	0.6041	0.3609	0.2633
DR	0.7190	0.3456	0.2766	0.4108
ER	0.2401	0.0897	0.1158	0.1801
EPS	0.0009***	0.0017***	0.0027***	0.0002***
DPS	0.2112	0.0523**	0.0057***	0.5456
@1st Diff				
ROA	0.0000***	0.0000***	0.0000***	0.0000***
QR	-	-	-	-
WCR	0.0000***	0.0000***	0.0000***	0.0000***

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Variables	**Levin Lin & Chu: p-value**	**Im, Pesaran and Shin: p-value**	**ADF-Fisher chi-square: p-value**	**PP-Fisher Chi-square: p-value**
DR	0.0000***	0.0000***	0.0000***	0.0000***
ER	0.0000***	0.0000***	0.0000***	0.0000***
EPS	-	-	-	-
DPS	0.9988	0.0375**	0.0080***	0.0000***

*Note: ***, ** level of significance at 1% and 5% respectively*

Source: Researchers' computation, 2020 using E-view

Null: Unit root
Levin Lin & Chu Test: Assumes common unit root process
Im, Pesaran and Shin: Assumes individual unit root process
ADF-Fisher chi-square: Assumes individual unit root process
PP-Fisher chi-square: Assumes individual unit root process
** Probabilities for fisher tests are computed using an asymptotic chi-Square distribution. All other tests assume asymptotic normality.
Exogenous variable: Individual effect
Automatic lag length selection based on SIC

IV.4. PANEL CO-INTEGRATION TEST

The results of Pedroni residual panel co-integration on Table 3 indicated that the model had two co-integrating equation at 5% significance level with the assumption of linear deterministic trend in the data. Pedroni residual co-integration test showed that there was no co-integration among the variables, which means there was no long-run relationship, but considering Kao residual and Johansen Fisher panel co-integration tests, the results indicated that there was a co-integration between ROA and QR, WCR, EPS and DPS. This implied the existence of a long-run relationship between the variables; that is, ROA with working capital and investment strategies (QR, WCR, EPS and DPS). From the results on Table 3, it can be deduced that there was no long-run relationship between ROA and financing strategy (DR and ER), but there was a long-run relationship between ROA with working capital and investment strategies.

Table 3. Panel Co-Integration Test

Pedroni Residual Co-integration Test								
Series	**Panel v-statistic**		**Panel rho-statistic**		**Panel pp-statistic**		**Panel-ADF statistics**	
	Statistic	**Prob.**	**Statistic**	**Prob.**	**Statistic**	**Prob.**	**Statistic**	**Prob.**
ROA, QR, WCR	-2.9012	0.9981	0.4823	0.6852	-0.9726	0.1654	-1.5319	0.0628
ROA, DR, ER	-2.3126	0.9896	1.7218	0.9574	0.5434	0.7066	-3.8016	0.0001***
ROA, EPS, DPS	-2.5527	0.9947	1.5597	0.9406	0.0337	0.5134	-3.4508	0.0003***
Series	**Group rho-Statistics**		**Group PP-Statistics**		**Group ADF-Statistics**			
	Statistic	**Prob.**	**Statistic**	**Prob.**	**Statistic**	**Prob.**		
ROA, QR, WCR	1.4424	0.9254	-1.2340	0.1086	-0.1181	0.4530		
ROA, DR, ER	2.0865	0.9815	-0.3475	0.3641	0.1383	0.5550		
ROA, EPS, DPS	2.6059	0.9954	-0.4429	0.3289	0.6265	0.7345		
Null Hypothesis: No co-integration, Trend assumption: No deterministic trend, Automatic lag length selection based on SIC with a max lag of 2								
Kao Residual Co-integration Test								
Series	**ADF Statistics**							
	t-statistics	**Prob.**						
ROA, QR, WCR	-6.1120	0.0000***						
ROA, DR, ER	-1.4356	0.0756						
ROA, EPS, DPS	-7.0808	0.0000***						
Null Hypothesis: No co-integration, Trend assumption: No deterministic trend, Automatic lag length selection based on SIC with a max lag of 2: Note: ADF= Augmented Dickey-Fuller, DF=Dickey-Fuller								

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Table 3 – *Cont.*

Johansen Fisher Panel Co-integration Test					
Series	**No of CE(s)**	**Fisher-Stat* (From trace test)**	**Prob.**	**Fisher-Stat*(From max-eigen test)**	**Prob.**
ROA, QR, WCR	At most 2	50.04	0.0014***	50.04	0.0014***
ROA, DR, ER	At most 2	24.85	0.1292	24.85	0.1292
ROA, EPS, DPS	At most 2	59.80	0.0001***	59.80	0.0001***
Trend assumption: No deterministic trend. *Probabilities are computed using asymptotic chi-square distribution					
***, 5% level of significance					

Source: Researchers' computation, 2020 using E-view

IV.5. TEST OF HYPOTHESES

IV.5.1. EFFECTS OF WORKING CAPITAL STRATEGY ON RETURN ON ASSETS

The panel regression analysis on Table 4 below revealed the results of the effects of financial strategies variables on performance. Quick Ratio and Working Capital Ratio were used as proxies for working capital strategy. The coefficient of QR (β_1= -0.1644) and WCR (β_2= 0.1756) indicated that for every 1% increase in QR, ROA decreased by 16.44%, while for every 1% increase in WCR, there was an increase of 17.56% in ROA. It suggested that each time firms used their most liquid assets to meet their short-term financial obligation, it had a negative effect on return on assets, but if the total current assets were used to settle the short-term obligations, there would be a positive effect on return on assets. The individual effects of QR with p=0.1616>0.05 and WCR with p=0.0587>0.05 on ROA were not statistically significant; therefore, the null hypothesis was accepted, that is, there is no significant effects of working capital strategy on return on assets.

IV.5.2. INFLUENCE OF FINANCING STRATEGY ON RETURN ON ASSETS

The results of financing strategy (DR and ER) on performance (ROA) showed coefficients of DR (β3= -0.0542) and ER (β_4= 0.0084). indicated that for every 1% increase in DR, ROA decreased by 5.42% while for every 1% increase in ER, ROA increased by 0.84%. It explained the theoretical a-priori expectation of negative slope in coefficient between ROA and DR i.e. β<0; this is via versa for ER. This suggested that financing investments with debts reduced returns on assets, but financing with equity gives an insignificant increase in return on assets. DR with p = 9235>0.05 and ER with p=0.9881>0.05 are not statistically significant; therefore, the null hypothesis is accepted, which means there is no significant effects of financing strategy on return on assets.

IV.5.3. EFFECTS OF INVESTMENT STRATEGY ON RETURN ON ASSETS

The coefficients of EPS ($\beta_{5=}$ 0.0026) and DPS ($\beta_{6=}$ 0.010) indicated that for every 1% increase in EPS, ROA increased by 0.26% while ROA increased by 1% for every 1% increase in DPS. It explained the theoretical a-priori expectation of positive slope in coefficients between ROA, EPS and DPS. It showed that investment strategy (EPS and DPS) had slight increase on return on assets (ROA), which indicated that achieving the objective of wealth maximization had a positive influence on returns on assets. The p-values of 0.0461 and 0.0352 for EPS and DPS respectively are below 0.05 level of significant; therefore, the null hypothesis is rejected. This implied there is a significant effects of investment strategy on Returns on assets.

IV.5.4. EFFECTS OF FINANCIAL STRATEGIES (WORKING CAPITAL, FINANCING AND INVESTMENT STRATEGY) ON FIRMS' PERFORMANCE (RETURN ON ASSETS)

The combined financial strategies (Working Capital, Financing and Investment Strategy) with coefficient of determination (R^2= 0.4740) showed that 47.40% changes in ROA can be explained by the three financial strategies variables (see Table 4). The Durbin-Watson statistic (1.9229 ≈ 2) indicated that there is no auto-correlation in the sample. This implied that the problem of serial auto-correlation does not constitute a problem in this study.

Table 4. Panel Least Square on Effects of Financial Strategies on Financial Performance

Variables	**Coefficient**	**Prob.**
ROA	0.0034	0.9952
QR	-0.1644	0.1616
WCR	0.1756	0.0587

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Variables	Coefficient	Prob.
DR	-0.0542	0.9235
ER	0.0084	0.9881
EPS	0.0026	0.0461
DPS	0.0011	0.0352

Notes: R^2= 0.4740; DW=1.9229

Source: Researcher's computation, 2020 using E-view

IV.6. Discussion of Findings

The findings of the first hypothesis revealed that there was no effect of working capital strategy on return on assets. Quick ratio does not provide any information on firms' cash flow and it is mainly influenced by management of a firm as well as the accounting policies. Also, working capital ratio focuses on liquidity aspects of firms only, whereas the non-current assets also contribute to the financial health of firms. According to the work of Chen (2014), it revealed that liquidity and business activity has greatly impacted positively on financial performance and also the study of Rahimah, Farha, Syahrul, and Noraisah (2018) which suggested that current ratio impacted on performance. This study contradicts their findings as it was revealed that working capital strategy does not have any effect on return on assets.

Hypothesis two showed that there was no effect of financing strategy on return on assets. This finding is in line with *apriori* expectation that the challenges of the application of debt/equity ratio exhibits which could be misleading and misguiding to potential investors since low debt to equity ratio may lead to inappropriate assets financing with debt or causes technical inefficiency that would reduce the returns (Koralun-Bereźnicka, 2013). Younus, Ishfaq, Usman and Azeem (2014) findings revealed that debt does not have significant impact on performance; thus, there is no significant relationship between capital structure and performance. It was also discovered that long term debt has no significant effect on profit companies in Nigeria (Okolocha, John-Akamelu & Ezejiofor, 2019). Hypothesis two supports these findings that financing strategy (Debt and Equity ratio) have no significant effect on return on assets, but negates the findings of Rahimah, Farha, Syahrul, and Noraisah (2018).

The findings of hypothesis three showed that investment strategy have significant effects on return on assets. It showed that satisfying shareholders' wealth maximization improves return on assets. It was revealed in previous studies (Thair, 2007; Samih, & Zubi, 2014) that performance indicators have positive relationship with investment decisions. The study supports these works that investment strategy has effects on returns on assets.

V. Conclusion And Recommendations

The major challenge faced by firms' management is proper application of financial strategies to improve the level firms' financial performance. Hence, the study examined the effects of financial strategies on the firms' financial performance. Based on the findings of the study, it is presented those financial strategies (working capital, financing and investment strategies) do jointly influence return on assets, but when viewed individually, only investment strategy had significant effects on return on assets. Therefore, the study concludes that the decisions made by firms in Consumer sector on working capital and debt/equity do not influence their performance. Consequently, the study recommended the following:

i. Formulating strategy should be an utmost priority to firms' management as the performance of their businesses depends on the strategy adopted.
ii. Firms' management needs to carefully examine the financial strategies that will give them competitive advantage and enhance optimal utilization of resources to increase profitability.
iii. In achieving corporate objective, cutting-edge financing strategy for proper mix of debt to equity has to be considered as this will improve performance.
iv. Firms need to consider the combination of the use of current and non-current assets in financing short term obligations.
v. The implicating effects of the application of the three financial strategies at once should never be neglected since decision on one strategy could have adverse effect on the other strategy.

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