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An Empirical Assessment of the relationship between Financial Ratios on Investment Decision: A Case of Nigerian Telecom Industry

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Abstract

This paper aims to determine the relationship between financial ratios among Nigerian listed telecommunication companies on investment decisions. The study uses the current ratio, quick ratio, cash ratio as measures of liquidity ratio, return on assets, net profit margin, and operating cash flow as measures of profitability ratio. This study fills in the gap by using a sample of 12 Nigerian listed telecommunication companies in the stock market for 2016-to-2017. Data was collected from Thompson Reuters, Data Streams, and companies' financial statements. Quantitative research design is used to find the relation and strength of the relation correlation between the variables. The study found a significant positive relationship between liquidity measures (current and cash ratio) and profitability measures (return on asset and operating cash flow) in 2016. However, the relationship between quick ratio and net operating margin is a weak positive relation. Furthermore, the study found a significant positive relationship between all the liquidity and profitability ratios in 2017. The study concluded a positive relationship between liquidity ratio and profitability ratio. Therefore, this study's findings provide additional literature on the relationship between financial ratios outlined in the financial statement. The study's implication is to policymakers, regulators, current and prospective investors, and the government that liquidity and profitability ratios have a positive relationship.

Keywords: Financial Statement, liquidity ratio, profitability ratio

1. INTRODUCTION

Investment decision requires full disclosure of financial information. The most crucial financial information needed in business decisions comes from the published financial statement (Scout, 2006). Both large and small organizations need to retain their existing and attract potential investors and satisfy their legislating requirements. These can be achieved by fully disclosing financial information where the financial ratios are widely revealed.

Financial information is a formal and comprehensive statement describing the financial activities of a business organization. Providing high-quality financial information is essential because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions to enhance overall market efficiency (IASB, 2008).

The perception of both investors (existing and potential) about a company's ability affects the market prices of the company's security relative to others in the same industry. Financial ratios can only be useful to investors if they are well understood with their contents. A published financial statement is the information source that is most

directly related to the items of interest to both existing and potential investors. Ekwe (2013) states that these items include but are not limited to accounting ratios.

Liquidity management is an essential tool for managing organizations; it reflects the organization's ability to repay short-term liabilities, including operating expenses and financial expenses resulting within the organization in the short term. Besides long-term debt during the financial year or the operating cycle, whichever is longer? Organizations use many liquidity ratios to manage their liquidity, such as (current ratio, quick ratio, cash ratio, among others), which can significantly affect the profitability of companies (Robinson et al., 2015).

Liquidity ratios show the companies' ability to meet their short-term obligations. The value of these ratios' weakness indicates that the organization may face difficulties meeting its short-term financial obligations (Amengor, 2010). This would, in turn, have a negative impact on the company's activity and also on its profitability performance. On the other hand, improving the value of the ratio shows a recovery in companies' liquidity, reflecting a positive increase in their activity and profitability (Gibson, 2009).

Similarly, a long tradition among different industries in using financial ratios both in practice and in the literature of financial statement analysis, and of classification and selection of relevant financial ratios to reduce the redundancy between many financial ratios has been a subject of many types of research (Horrigan, 1968 & Barnes, 1987). Accounting ratios reveal the relationship among different items in the financial statements. Thus, they are essential to internal management, prospective investors, creditors, and outsiders. Ratios are also better tools for measuring liquidity, solvency, profitability, and management efficiency. Therefore, there is a general belief that published financial statements have failed in their responsibility to provide credible information for investors and other users of financial statements (Duru, 2012).

Given the above, the Nigerian Communication Commission required boards to develop a corporate reporting model tailored to shareholders and other stakeholders' needs. The corporate reporting model should be built upon transparency principles embedded in presenting and disclosing information relating to the licensee's activities and the board's business stewardship (Danbatta, 2016).

This research considers the problems above because they wipe away both existing and potential investors' confidence. The research will also investigate the degree of reliance on the published financial statements by corporate investors, emphasizing financial ratios drawn on it. The study will focus on the telecom industry because it plays an essential role in its economy due to limited research. The sector is an idle area for this type of study because it promotes the growth and success of almost all businesses in developed and developing economies and contributes immensely to its gross domestic product (GDP).

This research aims to assess the relationship between financial ratios on investment decisions with the Nigerian telecom industry as a case study. Telecom companies' was chosen because of their significant contributions to providing services to different sectors, Government, Africa, and the world. These services are; sales and installation of terminal equipment, provision, and operation of public pay-phones, provision and operation of the private network link, employing cables, radio communications, or satellite within and outside Nigeria. (Danbatta, 2016). Also, the sector was chosen because of its immense contribution to the country's (Nigeria) economy, which amounted to NGN1,411.74 billion (8.83 percent) of the total Gross Domestic Product as of the first quarter of 2016 (National Bureau of Statistics, 2016). The specific objectives are; to examine the relationship between the Nigerian telecom companies' liquidity ratios and profitability ratios for two years (2016 and 2017). The rest of the paper is divided as follows: Section 2 provides an overview of related literature on financial ratios. Section 3 provides the study's methodology. In contrast, section 4 provides empirical analyses of the correlation results. Section 5 gives the conclusion, recommendations, and suggestions for further research.

2. LITERATURE REVIEW

2.1 Concept of Financial Statement

The financial statement is a collective name given to the income statement and statement of an enterprise's financial position in an organized manner. The financial statement is a basis for financial planning, analysis, and decision making. The financial statement is needed to predict a firm's earning ability and liquidity position. Financial statements present information about an entity's financial position, performance, and changes in a standardized and accurate form to investors, regulators, financial analysts, and other users in making economic decisions (IASB Framework, 2007).

Karim et al. (2010) defined a financial statement as a written report summarising an organization's financial status for a stated period. It includes an income statement and a financial position statement describing the flow of resources, profit and loss, and the distribution or retention of profit. Financial statements are formal records of a business, person, or other entity (Suh, 2017). The financial statement refers to a summary that explains an accurate picture of the financial position/business performance and other business activities during a specified period (Atrill & McLaney 2015).

Damodaran (2013) asserts that when evaluating a company's profitability and potential return from its investment, there are several factors that the financial statement used in conjunction with one another. Thus, the amount of debt the business has or took, the operating cash that the business has, and the value of its products and investment can all be found in the financial position, income statement, and cash flow.

There is a long tradition of developing and using financial ratios both in practice and in the literature of financial statement analysis. The classification and selection of relevant financial ratios to reduce the redundancy between many financial ratios have been the subject of much research (Horrigan, 1968 & Barnes, 1987). Accounting/financial ratios reveal the relationship among different items in the financial statements. Thus, they are essential to internal management, prospective investors, creditors, and outsiders. Ratios are also better tools for measuring liquidity, solvency, profitability, and management efficiency. Therefore, accounting's role is very significant towards increasing the efficiency of the management to reduce the expenditure level, hence increasing the rate of profit (Ahmad, 2016).

Ratios help identify the potential causal relationships among different items after analyzing and scrutinizing a firm's past results. After researching and examining the past effects, the ratios derived can help the management prepare budgets to formulate policy and prepare plans of action. Those acts help prospective investors in making economic decisions. To this extent, the research would concentrate on profitability, efficiency, and liquidity ratios since they are significant factors for any investment decisions.

2.2 Liquidity Ratio

According to Cleary (1999), firm investment decisions are directly related to liquidity ratio. According to traditional financial ratios, investment decisions of firms with high creditworthiness (according to conventional financial ratios) are susceptible to internal funds; less creditworthy firms are much less sensitive to internal fund availability.

The liquidity ratio shows its short-term assets (cash, inventory, receivables) to pay its short-term debt. As the current ratio is higher, the firm will be more capable of paying its short-term obligations. If the ratio is less than one, it indicates that the firm cannot pay off its short-term liabilities. The company would be financially weak but not bankrupt (Durra et al., 2016). Companies with difficulty getting paid on their receivables or high inventory turnover can have liquidity problems because they cannot reduce their obligations (Ahmad, 2016). Liquidity management is achieved through the effective use of assets (Robinson et al., 2015). Liquidity ratios include the following:

2.2.1 Liquidity Ratio

The current ratio measures the company's ability to pay short-term liabilities such as payable accounts and short-term loans, representing existing assets' ratio to current liabilities. This ratio's magnitude expresses the company's high liquidity, thus a greater capacity to meet the short-term liabilities (Durra et al., 2016). In contrast, a decrease in the ratio to less than one (<1) expresses the deficit of liquidity and the part of the fixed assets financed by short-term debt. However, a liquidity deficit could lead to a decline in its ability and affect profitability. If the ratio is equal to 1, current assets equal current liabilities (Robinson et al., 2015).

2.2.2 Quick Ratio

This ratio includes the most liquid of current assets to current liabilities only. The rise in the value of this ratio expresses the company's high liquidity. This ratio excludes prepaid expenses and inventory from existing assets being difficult conversion into cash (Sinha, 2012).

2.2.3 Quick Ratio

This ratio of current assets depends only on short-term marketable investments, plus its cash attributed to current liabilities (Gibson, 2009).

Profitability Ratio

Profitability is the net profit arising from business activities and decisions; it reflects the effectiveness of operations and shows the effects of liquidity on asset management and liabilities in the company results. Profitability can be calculated through performance measures, such as sales margins, return on assets, and net worth, among others (Brigham and Houston, 2008). Indicators like ROA, ROE, and asset turnover have been used as a proxy to the profitability of companies when related to levels of corporate governance, ownership concentration, or even to make forecasts about future share prices, among other applications (Gordon and Iyengar, 1996; Li, 2004; Jiang et al., 2011; Anna, 2015).

The return on assets (ROA) is one of the most widely used profitability measures; it is well known in the accounting literature, represents the operational returns provided by all the company's assets, and shows the return on investment for the whole company. It is also a key benchmark for comparing third-party capital cost estimates (Weygandt et al., 2009). Apart from the indicators for profitability calculated by accounting measures, some indicators use market values to measure a company's profitability. Tobin's q coefficient is recommended in financial literature as a criterion that can allow companies' performance to be measured (Wenderfelt and Montgomery, 1988; Bharadwaj et al., 1999). Robinson et al. (2015) reveal that profitability ratios reflect the company's success or failure. Profitability ratios include the following:

2.3.1 The Return on Assets

It refers to a relationship between net profit and assets. The rise in the ratio relates to the effectiveness of the company's employment of assets (Robinson et al., 2015). The return on assets indicator would be used to measure the profitability of companies over some time. The ROA shows the company's total assets' profitability, calculated annually for each company by dividing operating results by average total assets (Shin & Stulz, 2000; Anna, 2015).

2.3.2 Net Profit Margin

After taxes, the net profit margin equals the net profit (i.e., net income) minus extraordinary items divided by total revenues (Iyiola O. et al., 2012).

2.3.3 Operating Cash Flow Margin

This ratio assesses the cash generated by the regular company's operations per unit in cash from sales. Cash flows can be found from the statement of cash flows, while revenue from the income statement. The rise in this ratio could refer to the company taking effective policies to turn sales into cash. It may also refer to a high quality of profits (Sinha, 2012).

Hypotheses Development

Many researchers have conducted on the relationship between liquidity and profitability ratios. For instance, Lartey et al. (2013) investigated the relationship between the banks' liquidity and profitability listed on the Ghana stock exchange between 2005 and 2010. The results revealed a decrease in liquidity and profitability ratios of listed banks. The result further shows a weak positive relationship between liquidity and profitability. In contrast, Ajanthan (2013) has found a significant relationship between liquidity and profitability in commercial companies listed in the Sri Lanka stock market from 2008 to 2012. Also explained Zygmunt (2013) influential role of liquidity ratios in the company's performance, have pointed to the existence of a significant effect of the liquidity ratios on profitability in the Polish companies listed in information technology.

Ruziqa (2013) and Vayanos and Wang (2012) found that liquidity ratios significantly affect the return on assets. Bolek and Wilinski (2012) asserted that a quick ratio and asset return have a positive relationship. In comparison, Akter and Mahmud (2014) conclude no significant relationship between the current balance and return on assets. Priya and Nimalathasan (2013) found that the current and cash ratios are significantly associated with return on assets. Thus, based on the above findings, the following hypotheses were developed:

Hypothesis 1a: There is a positive relationship between the current ratio and return on assets.

Hypothesis 1b: There is a positive relationship between the quick ratio and return on assets.

Hypothesis 1c: There is a positive relationship between cash ratio and return on assets.

The study conducted on listed firms of the London stock exchange for four years by Lyroudi et al. (1999) revealed that the current ratio and the quick ratio negatively affect the net profit margin. Niresh (2012) found a positive correlation between the quick ratio and net profit margin in listed manufacturing firms in Sri Lanka for 5-year from 2007 to 2011. Similarly, Niresh (2012) recommended that manufacturing companies in Sri Lanka

concentrate on maximizing profit while preserving liquidity. Based on the review above, the following hypotheses are formulated:

Hypothesis 2a: There is a positive relationship between the current ratio and net profit margin.

Hypothesis 2b: There is a positive relationship between the quick ratio and net profit margin.

Hypothesis 2c: There is a positive relationship between cash ratio and net profit margin.

The study conducted by Kirkham (2012) on Australia's telecommunications sector revealed that differences existed between the traditional liquidity ratios and the cash flow ratios, such as operating cash flow margin, where point out that current ratio and cash ratio influence significantly in operating cash flow margin. Furthermore, the study indicates this (Zeller and Stanko, 1994). Based on the review, as mentioned earlier, the following hypotheses are formulated:

Hypothesis 3a: There is a positive relationship between the current ratio and operating cash flow margin.

Hypothesis 3b: There is a positive relationship between the quick ratio and operating cash flow margin.

Hypothesis 3c: There is a positive relationship between cash ratio and operating cash flow margin.

3. METHODOLOGY

3.1 Research Design

The purpose of this research is to assess the relationship between financial statement ratios on investment decisions. The study depends on the descriptive method to evaluate the liquidity ratios and financial statement performance indicators (i.e., profitability ratios) of Telecommunication companies listed in the Nigerian stock exchange from the 2016 to 2017 fiscal year.

3.2 Population and Sample Size

The population of this study consists of telecommunication companies listed on the Nigerian stock exchange. The study samples were selected from mobile service providers for 2016-to-2017, consisting of twenty-two (22) companies. However, due to the non-availability of some sample companies' critical data, only twelve (12) were selected. Table 1 shows the sample companies.

Table 1: Sample Composition

S/N	Company Symbol	Company Name
1.	ATN	Airtel Nigeria
2.	CiS	Ciscos System
3.	EtN	Etisalat Nigeria
4.	GLO	Globacom Limited
5.	ipNX	ipNX Nigeria
6.	Mob	Mobitel
7.	Mot	Motorola
8.	MTN	MTN Nigeria
9.	NetC	Netcom
10.	NITEL	Nigerian Telecoms Limited
11.	STARC	Star comms Limited
12.	SwiftN	Swift Networks Limited

Source: Nigerian Stock Exchange

3.3 Variable Measurement

The study variables measurements were determined on liquidity ratio and profitability ratios, as shown in Table 2:

Table 2: Measures of Liquidity Ratios and Profitability Ratios

Variables	Symbol	Ratio Name	Measures
Liquidity Ratio	CR	Current Ratio	Current Assets/Current Liabilities
	QR	Quick Ratio	Cash + short-term marketable securities + Receivables/Current Liabilities
	Ch R	Cash Ratio	Cash + short-term marketable securities + Receivables/Daily cash expenditures

Profitability Ratio	ROA	Return on Assets	Net Income/Average Total Asset
	NPM OCFM	Net Profit Margin Operating Cash flow Margin	Net Income/Total revenue Cash Flows from Operating Activities/Total Revenue

Sources: (Durra et al., 2016; Robinson et al., 2015; Mohammed et al., 2008)

3.4 Statistical Analysis Methods

The study used Statistical Package for Social Sciences (SPSS) version 20 to test the hypotheses based on the following statistical methods: Mean, Standard deviations, and Simple Regression Analysis.

4. METHODOLOGY

4.1 Descriptive Statistics for Liquidity Ratio

Table 3 Panel 'A' shows a total observation of 12 companies with the mean, standard deviations, minimum rate, and maximum rate for the ratios of liquidity, which comprises the current ratio, quick ratio, and cash ratio to identify the liquidity rate during 2016 in the Nigerian Telecom companies listed on the Nigerian Stock Exchange. The table shows the following:

- The total observation of 10 companies with a mean of 1.3021 and a standard deviation of 1.1411 for the telecom companies' liquidity rates. The liquidity ranged from 0.7630 minimum with a maximum of 0.7943.
- The mean and standard deviation of the cash ratio shows 0.7940 with 0.8911, respectively, with a minimum of 0.2377 and a maximum of 0.4731.
- The sample companies' quick ratio shows a mean and standard deviation of 1.0722 and 1.0355, respectively, with a minimum of 1.3650 and a maximum of 1.4790.
- The cash ratio of the sample companies shows a 1.3258 mean and a standard deviation of 1.1514. It further indicates 1.5420 and 2.3546 minimum and maximum cash ratios, respectively.

Table 3 Panel 'B' shows a total observation of 10 companies with the mean, standard deviations, minimum rate, and maximum rate for the ratios of liquidity, which comprises the current ratio, quick ratio, and cash ratio to identify the liquidity rate during 2017 in the Nigerian Telecom companies listed on the Nigerian Stock Exchange. The table shows the following:

- The table shows a mean of 1.2351 and a standard deviation of 1.0311 for the telecom companies' liquidity rates. The table also shows the liquidity rate, ranging from 0.8227 and 0.8902 as minimum and maximum speeds.
- The mean and standard deviation of the cash ratio shows 0.9210 and 0.9570, respectively, with a minimum rate of 0.3364 and a maximum of 0.5347.
- The sample companies' quick ratio shows a mean and standard deviation of 2.0321 and 1.4255, respectively, with a minimum of 1.3820 and a maximum rate of 1.6472.
- The cash ratio further shows a 1.3340 mean with a 1.1550 standard deviation. The result also indicates 1.7310 and 2.3546 minimum and maximum cash ratios.

4.2 Descriptive Statistics for Profitability Ratio

Table 4 Panel 'A' shows the number of observations, means, standard deviations, minimum rate, and maximum rate of the ratios of profitability, comprising of return on assets, net profit margin, and operating cash flow margin to identify the profitability rate during the period 2016 in the Nigerian telecom companies listed on the stock exchange. The table shows the following:

- The profitability rates for the companies studied show a 0.0701 mean with a 0.2648 standard deviation. The minimum rate of profitability ratio shows 0.0674, with a maximum rate of 0.0982.
- Return on Assets (ROA) of the companies studied shows 0.1338 mean and 0.3658 standard deviations. The minimum and maximum rate for ROA shows 0.1275 and 0.2759, respectively.
- Net Profit Margin (NPM) shows 0.1795 mean and 0.4237 standard deviations. The minimum rate is 0.2361, with a maximum of 0.4365.
- Operating Cash Flow Margin (OCFM) mean shows 2.8592 with 1.6909 standard deviations. The minimum rate shows 1.0868 and 1.2749 maximum rates.

Table 4 Panel 'B' shows the number of observations, means, standard deviations, minimum rate, and maximum rate of the ratios of profitability, comprising of return on assets, net profit margin, and operating cash flow margin

to identify the profitability rate during the period 2017 in the Nigerian telecom companies listed on the stock exchange. The table shows the following:

- The profitability rates for the companies studied show a 0.0731 mean with a 0.2704 standard deviation. The minimum rate of profitability ratio shows 0.0970 with a maximum rate of 0.1193.
- Return on Assets (ROA) of the companies studied shows 0.1465 mean and 0.3828 standard deviations. The minimum and maximum rate for ROA are 0.1314 and 0.1710, respectively.
- Net Profit Margin (NPM) shows 0.1760 mean and 0.4195 standard deviations. The minimum rate shows 0.0572, with a maximum of 0.2164.
- Operating Cash Flow Margin (OCFM) mean shows 3.0253 with 1.7393 standard deviations. The minimum rate shows 1.1501 and 1.3126 maximum rates.

4.3 Regression Analysis

Table 5 presents the regression result between the liquidity and profitability ratios for 2016. The result shows a significant positive association with 0.3870 coefficients at 0.05 significance levels between the asset's current ratio and returns. This indicates that telecom companies' liquidity position helps the companies to earn positive profits. While the current ratio and net profit margin reveal a negative relationship at 0.1 significance levels with -0.0210 coefficients, the companies experience difficulties from working capital. They are not earning a positive return on their net income total revenue. The relationship between the current ratio and operating cash flow margin shows 0.0310 coefficients.

Similarly, the regression results between quick ratio and return on assets, net profit margin, and operating cash flow margin are positive with 0.2840, 0.0920, and 0.0521 at significance levels of 0.05 0.10, respectively. However, the cash ratio and return on assets show a positive relationship with 0.1420 coefficients at 0.10 significance levels. In contrast, the cash ratio with net profit margin and operating cash flow margin presents a positive relationship with 0.0615 and 0.03620 regression coefficients at 0.10 significance levels, respectively.

Table 6 provides the regression results between liquidity and profitability measures for 2017. The result reveals a positive and significant association between the current ratio and returns on assets with 0.4760 coefficients at 0.01 significance levels. This result indicates an increase in the companies' liquidity and profitability levels compared with 2016. This means that investment in assets and working capital of companies in the telecom industry has significantly increased. While the regression between the current ratio with net profit margin and operating cash flow margin is positive at 0.10 significance levels with 0.0570 and 0.0450 coefficients. This also indicates a significant increase in their working capital, net income, and operating cash flow.

Similarly, the quick ratio and return on assets show a significant positive relationship with 0.2950 at 0.05 significance levels. This reveals an increase in the companies' cash sales and their short-term marketable securities with daily expenditures. While the association between quick ratio and net profit margin shows -0.0932 coefficient at 0.10 significance levels, this reveals that the companies' cash and short-term marketable securities on current liabilities had not generated the expected revenue during that time. While the relationship between quick ratios and operating cash flow margin is positive, with 0.0620 coefficients at 0.10 significance levels, the companies can cover their liabilities with relative liquid assets. Therefore, these results indicate that the telecom industry companies were not facing a low quick liquidity ratio that may find itself with a sudden increase in liabilities, which will, in turn, force them to sell off long-term assets or borrow money to cover their liabilities.

The regression result between cash ratio and return on asset is positive, with 0.1641 coefficients at 0.05 significance levels. This reveals an increase in the companies' cash position with their assets compared to the preceding year. It is further indicated that companies earn more net income from investment in assets than the average company, which is a sign of efficiency. Similarly, the result further reveals that the relations between the cash ratio and net profit margin are positive at 0.10 significance levels with 0.0871 coefficients, which increases the previous year. This means the companies' cash and short-term marketable securities can be easily converted to generate income. The regression result between the cash and operating cash flow margins is positive at 0.05 significance levels with a correlation of 0.0145 coefficients. These positive relations show the companies' can easily convert their sales into cash, which they can cover their short term liabilities within the operating cycle.

**Table 5: Regression Coefficients
Liquidity and Profitability Ratio Variables for 2016**

Variables	ROA	NPM	OCFM
CR	0.3870**	-0.0210*	0.0310
QR	0.2840**	0.0920*	0.0521
ChR	0.1420*	0.0615*	-0.3620*

Note: ***significant at the 0.01 level, **significant at 0.05 and *significant at 0.1(2-tailed)

**Table 6: Regression Coefficients
Liquidity and Profitability Ratio Variables for 2017**

Variables	ROA	NPM	OCFM
CR	0.4760***	0.0570*	0.0450*
QR	0.2950**	-0.0932	0.0620
ChR	0.1641**	0.0871*	0.0145*

Note: ***significant at the 0.01 level, **significant at 0.05 and *significant at 0.1(2-tailed)

Table 3: Descriptive Statistics for Liquidity Ratio for the Year 2016

Variables	Obs	Mean	Std Dev.	Min	Max	Variables	Obs	Mean	Std Dev.	Min	Max
Panel A: Descriptive for 2016						Panel B: Descriptive for 2017					
Liquid.	12	1.3021	1.1411	0.7630	0.7943	Liquid.	12	1.2351	1.0376	0.8227	0.8902
CR	12	0.7940	0.8911	0.2377	0.4731	CR	12	0.9210	0.9570	0.3364	0.5347
QR	12	1.0722	1.0355	1.3650	1.4790	QR	12	2.0321	1.8022	1.3820	1.6472
ChR	12	1.3258	1.1514	1.5420	2.3546	ChR	12	1.3340	1.1550	1.7310	2.5702

Table 4: Descriptive Statistics for Profitability Ratio

Variables	Obs.	Mean	Std Dev.	Min	Max	Variables	Obs.	Mean	Std Dev.	Min	Max
Panel A: Descriptive for 2016						Panel B: Descriptive for 2017					
PROFIT.	12	0.0701	0.2648	0.0674	0.0982	PROFIT.	12	0.0731	0.2704	0.0970	0.1193
ROA	12	0.1338	0.3658	0.1275	0.2759	ROA	12	0.1465	0.3828	0.1314	0.1710
NPM	12	0.1795	0.4237	0.2361	0.4365	NPM	12	0.1760	0.4195	0.0572	0.2164
OCFM	12	2.8592	1.6909	1.0868	1.2749	OCFM	12	3.0253	1.7393	1.1501	1.3126

5. CONCLUSION

This paper has determined the liquidity and profitability ratios of Nigerian telecom companies. The study's central issue was to assess the relationship between financial (liquidity and profitability) ratios. These were because the impact of financial ratios on investment decisions has yet to be resolved.

Using a comprehensive data set of 12 listed firms in the Nigerian Telecom Industry, from 2016 to 2017, the study has performed a regression analysis using liquidity ratio measures as dependent variables in determining its relationship with profitability ratio measures as independent variables. The study documented that the coefficients of the current ratio and return on assets are positive in 2016, which means an increase in the companies' liquidity would generate additional income on their asset. Similarly, an increase in liquidity increases companies' sales. The current ratio and operating cash flow margin coefficients reveal a positive result. While the study found a negative relationship between the current ratio and companies' net profit margin, which means an increase in the liquidity makes the companies incur losses.

The 2017 fiscal year results reveal a positive relationship between liquidity ratio measures and profitability except for the quick ratio measure and net profit margin, which found a negative association. This means that the relationship between liquidity ratios and profitability is positive. An increase in the companies' liquidity had equally increased the sales and, in turn, return on shareholders' investment.

Thus, the study reveals that companies' liquidity rates in the Nigerian stock exchange fluctuate from year to year. The profitability rate grows from one year to another. The study shows no relationship between the liquidity ratios (current ratio, quick ratio, cash ratio) and net profit margin. In contrast, there is a weak positive relationship between the quick ratio and each net profit margin in 2017.

Generally, the study's findings provide valuable information and insights to academic researchers and existing and potential investors of Telecom companies and other various sectors of the economy. Therefore, policymakers, regulators, government, and professionals need to look at the new relationship among financial ratios to convince investors further to increase investment in the sector since it contributes immensely to the nation's GDP.

The study suggests that future research should be conducted in different sectors for an extended period to see a significant statistical relationship between financial ratios.

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