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Financial Management Strategies and Firm Value of Service Firms in Nigeria

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ABSTRACT: The study examined the financial management strategies and firm value of service firms in Nigeria. The study developed two objectives such as to; Ascertain the effect of current ratio on firm value of service firms in Nigeria; examine the effect of debt to equity ratio on firm value of service firms in Nigeria. Two research questions and hypotheses are formulated in line with the objectives. This research work will be anchored on the financial theory of investment. The study adopted expo-facto research design. Data were generated from secondary source, from annual report of the selected firms. The hypotheses were tested using panel least square analysis method at 0.05% level of significance. The findings of the study revealed that Current ratio has significant effect on firm value of service firms in Nigeria.. (t-test 2.871798, p=0.0051). Debt to equity ratio has no significant effect on the firm value in Nigeria (t-test 1.430783, p=1.8558). The study recommends that; Firms should prioritize maintaining a strong Current Ratio by implementing effective financial management strategies, ensuring that short-term obligations are met without compromising operational efficiency. Management should focus on optimizing the Debt to equity ratio while balancing it with investment opportunities that yield higher returns.

Keywords; financial management strategies, firm value, debt to equity ratio, current ratio

INTRODUCTION

It is of the utmost importance for financial managers to make prudent decisions regarding the acquisition and use of financial resources in order to maximize the value of the firm (Wagithunu et al., 2014). It is the responsibility of financial managers to decide how and where to invest the available funds. Decisions can involve allocating resources in a way that maximizes the firm's value (Mapunda, 2016). If financial managers are to carry out their day-to-day responsibilities effectively and contribute to the achievement of the company's fundamental goals, they must make sound financial management decisions (Beena, 2017; Nduka & Asielue,

2023). Financial management decisions are crucial for a company's existence and to maximise shareholder value. These decisions should be made optimally (Nassab, 2016).

Financial management is an area that deals with the financial decisions taken and the decision-making instruments and analysis used (Pandey, 2010). Financial management is one of several functional areas of management, yet it is at the heart of any company's success. Ineffective financial management, along with the instability of the business environment, frequently led to major problems for businesses. Financial management is used by financial managers in order to guarantee that the balances of a firm's current assets and current liabilities are maintained at levels that are optimum for the organization. According to Ekwunife, Nduka, & Ogini, (2022) the efficient management of finances ensures that the cash flow generated by a project is sufficient to cover both the short-term loan commitments and the ongoing operating expenses of the project.

This is the case because effective management of finances guarantees that the cash flow generated by a project is adequate. The administration of a business's financial affairs is a crucial component of corporate finance. This is because the management of a company's financial affairs has a direct influence on the liquidity, profitability, and development of the organization. This is as a result of the fact that effective management of financial resources is directly accountable for these aspects of the situation (Nduka, Atueyi, Osakwe & Mbanefo, 2021).

Statement of the Problem

The imperative to undertake a comprehensive study becomes apparent when considering the crucial role of financial management decisions in influencing the survival and prosperity of firms. The utilization of shareholder resources to enhance firm value and subsequently increase wealth is paramount for sustained success (Yartey & Adjasi, 2017). Financial management decisions are primarily influenced by capital structure, dividend decisions, cash reserves, and company investments (Pandey & Bhat, 2017). Srivastava (2018) states that the financial manager's duty includes crucial decision-making areas such as acquiring funds (capital structure), managing liquidity (cash reserves), distributing earnings (dividend decisions), and making corporate investment decisions.

Nduka & Ngangah (2024) argued that financial managers must examine the interdependence of decisions and the impact of one factor on the others when determining the best option (Titman et al., 2018). Financial management practices have been recognized both in developing and developed countries on its importance in coordinating organizations' functions. Through financial management practices, the managers who are unable to keep up with the current financial position will face challenges such as lack of proper management of fund, risk management and problem of optimally allocation of resources. This not only enables proper management of funds, but also creates an enabling environment to plan ahead. The financial management practices thus act as tool for the organizations to remain profitable while ensuring that they do not become bankrupt or insolvent (Gabriel, Afamefuna & Baridam, 2016; Harash et al., 2014).

Objectives of the Study

The general objective of the study is to examine the objectives of financial management strategies and firm value of service firms in Nigeria. The specific objectives of the study intends to:

1. Ascertain the effect of current ratio on firm value of service firms in Nigeria.

2. Examine the effect of debt to equity ratio on firm value of service firms in Nigeria.

LITERATURE REVIEW

Conceptual Review

Financial Management Practices

Financial management basically deals with money circulation and control of money for all kinds of business operations including the SMEs (Lasher, 2010). Financial management practices are the central activities for the success of small business (Vohra and Dhillon, 2014). Financial management basically deals with money circulation and control of money for all kinds of business operations including the SMEs (Lasher, 2010). Financial management transactions cover various objectives starting with cost calculation, cost control, sales and profit maximization, attaining the market share and overall endurance of a firm (Vohra and Dhillon, 2014).

Financial management practices (FMP) are described by Jennifer and Dennis (2015) as the management of finances and how these monies are used to accomplish organizational

goals and maximize shareholder value. By figuring out how to raise the market value of goods and services, FMP plays a vital role in supporting the diversification of various products and services and illuminating the best course for the firm's future expansion.

Current Ratio

Current Ratio is the ratio used to measure a company's ability to pay its short-term liabilities by using current assets. The low ratio means the company is unable to pay its liabilities as soon as possible, and is unable to take advantage of the cash cut or other expected
matters. Whereas a high ratio means that the used money in running a company is held in a government's securities, savings, cash or other funds (Gill & Chatton, 2013).

Current Ratio is an indication of a company to meet market liquidity and ability to meet the demands of the creditor (Sawir, 2015).The acceptable current ratio varies from industry to industry. If the current ratio of the company is within this range, then it is generally considered to have good short-term financial strength. If current liabilities exceed current assets where the current ratio is below 1, then the company may have problems in fulfilling its short-term liabilities. Current Ratio is too high, and then the company cannot efficiently use current assets or short-term financing facility.

Debt to Equity Ratio (DER)

The debt/equity ratio, derived by dividing long-term debt by common shareholders' equity, represents the proportion of debt to shareholders' money in the entire financing of firm products (Nwude, 2003). It indicates the balance between equity and debt used for funding a company's assets, showcasing its financial leverage. Investing in a corporation with a higher debt/equity ratio can be risky, especially with rising interest rates, leading to increased interest payments (Sariguna, 2011, cited by Purwanto and Chelsea, 2016). While high debt to equity may boost profitability, it could become unsustainable if the cost of debt exceeds the return on investments.

The debt/equity ratio also affects a company's ability to acquire additional external capital, with high ratios posing challenges (Purwanto and Chelsea, 2016). The ratio assesses how debt leverages equity in asset financing and return, indicating the firm's borrowing characteristics and its goal to obtain target returns while managing the risk of financial collapse (Al Momamni & Obeidat, 2017; Logan, Okanya, Nduka, Manasseh, Ede, Onoh,

Omeje, Ozioko & Agu, 2025). Efficiently managing the debt-equity structure can lead to a rise in the cost of capital and an increase in the firm's value (Aziz & Abbas, 2019; Ekwunife, Emuveyan & Nduka, 2021).

Firm Value

Firm value is paramount as it ultimately determines a company's survival (Muruga et al., 2019). This value is evident in the market prices of the company's securities, serving as a reflection of its investment, financing, and asset management decisions. An increase in security prices enhances firm value and shareholder wealth, while a decrease has the opposite effect (Debby et al., 2014; Jones, 2017). Obidike, Onyeka, & Nduka (2022) asserts that the value of the company is the market value of the debt securities and corporate equity in circulation. Company value is an investor's perception of the company's success rate which is often associated with stock prices (Sujoko and Soebiantoro, 2017; Aniefor, Nduka, & Anawunde, 2021). High stock prices make the value of the company is also high. The existence of PBV is very important for investors to determine investment strategies in the capital market because through price book value, investors can predict stocks that are overvalued or undervalued (Osakwe, Ananwude, & Nduka, 2019; Riyanto, 2010).

Theoretical Framework

Financial Theory of Investment

The theory is based on investment decisions. The financial theory of investment was suggested by Minsky (1986). In shortened terms, this theory links financial market fragility, in the everyday living cycle of an economy, with speculative investment in financial markets. According to this theory, during prosperous times, corporate cash flow rises beyond what is needed to pay off debt, and a speculative euphoria develops. Soon after, debts exceed what borrowers can pay off from their incoming revenues. This then turns into a financial crisis. As a result of such speculative borrowing risk, banks and lenders tighten credit availability. This theory proposes that there is a relationship or link between debt financing and market cycles.

When the market is performing well, there is excess cash flow, which makes credit readily available. The notion of imperfections in the credit markets was extended to the shares market by Greenwald et al. (1984). Asymmetry of the information makes the shares of a company negotiated in the secondary market to be at levels below the

expected value, in case the fundamental expectations of future return were of general knowledge. This under-pricing process in the secondary markets causes pressure over raising funds in the primary market, allowing underwriting to appear. The lack of information about the stakeholders facing the projects' perspectives makes them demand a more significant return over their shares, lowering the share price.

Other imperfections in the financial market, such as information asymmetry, agency problems, and financial distress, were linked to corporate finance. The economic variables of a company now need to be better explained. Taking this into account, Myers and Majluf (1984) proposed a pecking order hypothesis. According to the authors, the companies would have a preference for internal funds to finance the investment.

Empirical Studies

Al-Hashimy, (2025) explored the impact of financial management strategies on the financial performance of construction projects in Iraq, specifically investigating the moderating role of company size. The primary focus is to understand how different cost components contribute to performance and how this relationship varies between larger and smaller businesses in the construction industry. Utilizing a sample of 296 participants from the construction business in Iraq, this research employed a survey questionnaire. The WarpPLS software facilitated data analysis, employing Partial Least Squares Structural Equation Modelling (PLS-SEM) with bootstrapping for model validation. Confirmatory factor analysis (CFA) with maximum likelihood estimation assessed the measurement model, ensuring a comprehensive understanding of the financial management strategies and performance relationship. The study reveals that equipment costs show no significant relationship with performance in Iraq's construction industry. Larger construction firms exhibit a positive influence on financial performance from material costs, labour costs and permit/licencing fees compared to smaller firms.

Kaino, Kiragu and Mburu, (2025) examined the effect of financial management practices on SOE's performance in Kenya. The study applied a post- positivism research philosophy and a cross-section approach to descriptive research design. The sampling frame and unit of analysis was the 41 commercial state-owned enterprises in Kenya. The unit of response was 205 managers of the SOEs. A

closed ended questionnaire was used to collect primary data for the predictor and a secondary data collection sheet for the target variable. Kaiser-Meyer-Olkin (KMO) coefficient and Bartlett's Chi-Square from Confirmatory Factor Analysis were used to enhance construct validity. Ordinary Least Squares was used for inferential analysis after testing the data for Gaussian distribution, linearity and autocorrelation. The study found that 62.8% of the variations in SOEs performance could be explained by financial management practices and that there is a statistically significance influence of these practices on SOEs performance.

Mwambuli and Gasto, (2024) determined the moderating role of profitability on the influence of financial management decisions on firm value at the Dar es Salaam Stock Exchange (DSE). The study was guided by four specific objectives derived from two independent variables named financing decision and dividend decision, while considering profitability as the moderating variable. The study was guided by the positivism philosophy, employed a causal inference research design, and adopted a deductive approach. The study utilized quantitative secondary data spanning a ten (10) year period from 2013 to 2022, sourced from the DSE database and annual reports of specifically chosen companies. The study population comprised twenty-eight (28) listed companies, and by a sample of ten (10) non-financial firms listed at DSE was selected through the purposive sampling technique. Data analysis was carried out using E-View software version 12, and a fixed effect panel regression model was employed for the study. The study found financing decision do not influence firm's value while dividend decision has a positive influence on firm's value. Furthermore, Profitability has a positive moderating role on both the influence of financing decisions and dividend decisions on firm value.

Ihenyen, et al. (2024) determined the effect of financial management decisions on the value of selected firms listed in the Nigerian Exchange Group (NGX) for the year 2022. Employing an ex post facto research design and utilizing both descriptive and inferential statistics, the study examined the impact of capital structure decisions (represented by retained earnings), dividend decisions (proposed dividends for the year), and corporate investment decisions (research and development investment cost) on firm value, measured using Tobin's Q. The population comprised 21 consumer goods companies

listed on the NGX. The findings revealed a significant positive effect of retained earnings and proposed dividends on firm value, while research and development investment cost did not significantly affect firm value in the regression model.

Hariyanto, Ningdiyah and Abidin, (2024) examined the influence of leverage, liquidity, and company size on company value with financial performance as an intervening variable This research uses methods quantitative with secondary data as a data source . In this research, the population data used are all companies banking conventional listed on the Indonesian Stock Exchange . Period observations made _ from 2018-2021 period. In this research, the non-probability sampling technique used in this research is Purposive Sampling. There are 11 companies banking conventional yeah used sample in this study. the data analysis technique used in this research is structural equation modeling partial least square (sem-pls). the results of this study show that leverage has an effect on company value, liquidity influential regarding company value, company size has an influence on company value, leverage has an influence on financial performance, liquidity influential regarding financial performance, company size has an influence on financial performance, financial performance has an influence towards company value. financial performance mediates the effect of leverage on company value.

Eton, Mwosi and Mpora, (2022) investigated how financial management practices impact small businesses' profitability. Descriptive and correlational research designs were used in the study. The study used a multi-regression analysis to estimate how financial management practices impact profitability. The research showed that financial management strategies had a big effect on profitability. Management of working capital and cash has a substantial correlation with profitability, according to the evidence. The study suggests that in order to see improvements in their profitability levels, small businesses should establish strong financial management methods. Owners of small businesses must pay close attention to the dynamics of their working capital and cash management because these factors have a significant impact on their profitability levels. To balance operating costs and profitability, small firms should think about cost-cutting measures.

Ogunmakin, Adebayo and Olaniyan, (2022) examined the impact that sound financial management practices have on the overall

performance of manufacturing companies in Nigeria. In this study, an ex-post-facto research strategy was used, and secondary data was collected so that the researchers could investigate the link between the variables. The population of the research was made up of five samples that were randomly chosen from the population as a whole. The information was taken from the company's annual financial report, which covered a period of ten (10) years (2010-2020). Ordinary Least Square (OLS) regression analysis was used in order to make sense of the gathered information. It was discovered that financial management practices have a positive significant effect on Profit after tax (PAT) (p0.0021); financial management practice has a positive significant effect on retained earnings (p0.0415); however, financial management practice has no significant effect on debt-to-equity (p>0.7350). These findings were derived from the findings of the research. The research concluded that there is a considerable positive association between effective financial management practice, profit after tax, and retained profits.

Mohammed and Suleiman, (2022) how financial management techniques affected the success of micro and small enterprises (MSEs) in Keffi, Nasarawa State, Nigeria. Descriptive research and ex-post facto designs were used, and the model was estimated using multiple regression analysis. The study's findings demonstrated that working capital management has a favourable and significant impact on MSE performance. The practical result is that when organisations strive to enhance the financial income used for day-to-day operations, their profitability levels rise. The study also found that financial planning has a substantial impact on MSE performance.

Abdirahim and Muturi, (2021) determined the effect of financial management practices on manufacturing firms' financial performance in Bosaso. The specific objectives were to identify the effect of the management of working capital on financial performance, examine the effect of investment decisions on manufacturing firms' financial performance, and ascertain the effect of financing decisions on manufacturing firms’ financial performance. This study's target population was 64 registered Manufacturing firms operating in Bosaso. The study's primary data collection instrument was a structured questionnaire through the four-point Likert scale, showing the extent to which, each factor affects financial performance. Data

analysis was done using SPSS and presentations made in pie charts, distribution graphs, diagrams and figures to clearly show the respondents' responses according to the different variables in tables. The study showed that the management of working capital did not impact the financial output of manufacturing companies. Besides, investment decisions have been found to have a partial effect on manufacturing firms' economic work. Financing decisions have also been found to affect the capital-output of manufacturing companies significantly.

Musa and Ibrahim (2017) investigate the impact of financial performance on the value of Jordanian industrial firms, which are registered in Amman Financial Market (AFM). The sample of the study consists of (40) firms available on the AFM's website. They represent 71.4% of the Jordanian industrial firms, during the period (2006-2015). Regression is used to test the study's hypotheses. Tobin's Q and operational efficiency indicators are used to measure financial performance (Gross profit and the operating expenses). The study reveals that there is a statistically significant impact of financial performance on the firms' values. The study recommends that the firms' management, stakeholders and investors should concern with using appropriate indicators to analyze financial performance that are developed by the researchers such as the operating efficiency indicators, in addition to TQ index. This is because measuring performance is important for forecasting firm's value, and helps stakeholders in making appropriate decisions.

METHODOLOGY

In this study, *an ex-post facto* research design was employ in this study. The time period was from 2012 to 2023. The selection of an *ex-post facto* research design is on the presumption that the author's cannot manipulate the data as they are available in public domain vide established and regulated government agencies. The study employ panel data set from the annual report and financial statement of firms listed on the Nigerian Exchange Group. The panel covered a period of twelve (12) years from2012 to 2023. It is a secondary data set. The population consists of all services firm quoted on the Nigerian Exchange Limited (NEL) as at December, 2023. An analysis of the web of the Exchange showed that 20 services firm was listed on the main board of the NEL. Hence the population of this study consists of 20 services firm listed on the main board of the NSE. The researcher

chooses eight (8) services firm to represent the sample size for this study. Data will be gathered from the published financial statements of the eight (8) selected services firm for a twelve (12) years period spanning from 2012-2023, using purposive sampling method (that is selected firms that filed their annual financial statements with NSE from 2012-2023 without missing any year or had any sanction was selected for this study). The selected services firms are Afromedia, Daar Communications, Ikeja Hotel, Learn Africa, R T Briscoe, Tantalizers, Transcorp Hotels, and carverton offshore support

This study adapted the model from the study of Ogunmakin, Adebayo and Olaniyan, (2022) examined the impact that sound financial management practices have on the overall performance of manufacturing companies in Nigeria. Their model were as follows:

PAT = f(RTE, DTE)

Where

PAT = Profit after tax

RTE = Retained earnings

DTE = Debt-to-equity,

The model is modified to in the following equation below

Algebraically, therefore

ROA = F (CUR, DTE)

Where

ROA = Return on asset (proxy of firm value)

CUR= Current ratio

DTE= Debt-to-equity

F =Functional Notation

Our model is now restated in an econometric form as:

$ROA - BO + B_1CUR + \beta_2DTE + u$ ----------(2)

Bo= constant

Variables and Measurement

Variable	Measurement	sources
Return on Assets	Firm‘s net income to total assets in the same year	(Setiawan & Gestanti, 2022)
Independent Variable Current ratio	Divide the business's current assets by its current liabilities.	Hafez, B., Kaddumi, T. A., Nassar, M.D. & Muqattash, R. S. (2023).
Debt to equity ratio	Total debt divided by total shareholders’ equity.	Ogunmakin, Adebayo and Olaniyan, (2022)

Decision Rule

The null hypothesis Will be accepted if the probability ‘ P-value ‘ of T-stat is greater than the stated 5% level of significance otherwise reject. P>0, 0.5, Accept Ho. P< 0.05, Reject Ho

DATA PRESENTATION, RESULT AND ANALYSIS

Descriptive Statistics Analysis

Table 4.1, which displays the number of observations, mean, standard deviation, minimum and maximum values of the explained variable, and each of the explanatory variables, provides the descriptive statistics for all the variables in the model. The descriptive data of the chosen service sector that comprise our sample are displayed in the table below.

Descriptive Statistics Analysis

	ROA	CUR	DTER
Mean	0.195938	0.247917	0.135313
Median	0.210000	0.260000	0.120000
Maximum	0.440000	0.380000	0.240000
Minimum	0.010000	0.130000	0.090000
Std. Dev.	0.135798	0.043960	0.034609
Skewness	-0.145873	-0.210726	0.672106
Kurtosis	1.599821	3.588330	2.267468
Jarque-Bera	8.182464	2.095018	9.374044
Probability	0.016719	0.350811	0.009214
Sum	18.81000	23.80000	12.99000
Sum Sq. Dev.	1.751916	0.183583	0.113791

Observations	96	96	96

Sources: Authors Computation 2025

The table above indicates that the mean of return on assets (ROA) is .19% with standard deviation of .13% the minimum and maximum values of 1% and 44% respectively. The mean value of current ratio (CUR) is 24% with standard deviation of 4% the minimum and maximum values of 13 and 38% respectively. The mean value of debt to equity ratio (DTER) is 13% with standard deviation of 3%, the minimum and maximum values of 09% and 24% respectively.

These results suggest that the data are not widely dispersed from the mean because the standard deviations of all the variables are less than the mean values. Also, the skewness value of all the variables is close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of all the variables is also closer to 3, it indicates that the shape is a normal distribution, except ROA. The P-value of Jarque-Bera test of all the variables is more than 5%, except leverage, However, Shao (2003) submits that normality of data does not in any way affect the inferential statistics estimate to the BLUE properties. (Best, Linear, Unbiased, Estimate)

Correlation Analysis

A square matrix that displays the correlation coefficients between two variables is called a correlation matrix. The strength and direction of a linear relationship between two variables are measured by correlation coefficients. Frequently used in multivariate analysis and statistics, a correlation matrix looks at the relationships between several variables. It is possible to assess the link between two variables by using a correlation matrix: A relationship is strong if the relationship value is 1. The relationship is neutral if the relationship value is 0. In the event that the relationship's value is -1, it is weak or negative.Therefore, in examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in the table 4.2 below.

Pearson correlation coefficient

	ROA	CUR	DTER
ROA	1.000000	0.277698	0.231298
CUR	0.277698	1.000000	0.309010
DTER	0.231298	0.309010	1.000000

Sources: Authors Computation 2025

Return on assets is positively connected with two factors, current ratio (CUR), and debt to equity ratio (DTER). None of the factors, nevertheless, was discovered to be greater than 0.80. That is, no two exploratory variables had a perfect correlation. The highest correlation is between two variables which are highly correlated with (CUR/ROA =0.27) which indicate that multi co linearity is not a serious problem that would distort the regression result in the model used for analysis. A close look at the value of the Pearson correlation coefficient results revealed that all the variables are strongly associated with return on assets.

Therefore, in checking for multi-collinearity problem, the study noticed from the correlation table above that no two explanatory variables were perfectly correlated and thereby ruled out the case of having an outlier. This indicates the absence of multi-collinearity problem in the model used for the analysis. This also justifies the use of the Panel Least Square (PLS).

Test of Hypotheses and Discussion of findings

In order to examine the relationship between the dependent variable (Return on Assets) and the independent variables (CUR, DTER) and to test the formulated hypotheses, we employed a Panel Regression Analysis since the data had both time series (2012-2023) and longitudinal properties (8 quoted companies) our analysis is presented in table 4.5 below

$$ROA_{it} = \beta 0 + \beta_1 CUR_{1t} + \beta_2 DTER_{1t} + \varepsilon \ldots\ldots\ldots\ldots 1$$

Table 4.3: Robust Random Effect Model

Dependent Variable: ROA
Method: Panel EGLS (Period random effects)
Date: 05/04/25 Time: 03:59
Sample: 2012 2023
Periods included: 12
Cross-sections included: 8
Total panel (balanced) observations: 96
Swamy and Arora estimator of component variances
Cross-section SUR (PCSE) standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.064072	0.076064	0.842335	0.4018
CUR	0.704313	0.245252	2.871798	0.0051
DTER	0.631120	0.441101	1.430783	1.8558
	Effects Specification			
			S.D.	Rho

Period random		0.000000	0.0000
Idiosyncratic random		0.128739	1.0000
Weighted Statistics			
R-squared	0.730517	Mean dependent var	0.195938
Adjusted R-squared	0.741173	S.D. dependent var	0.135798
S.E. of regression	0.130170	Sum squared resid	1.575818
F-statistic	5.196366	Durbin-Watson stat	1.818691
Prob(F-statistic)	0.007256		
Unweighted Statistics			
R-squared	0.730517	Mean dependent var	0.195938
Sum squared resid	1.575818	Durbin-Watson stat	1.818691

Sources: Authors Computation 2025

A weighted Statistics for adjusted R-squared value of 0.730517 and a weighted R-squared value of 0.730517 were given in Table 4.4. This graph indicates that around 73% of the variances in the tested companies' performance might be attributed to the financial management used in the study. The probability value of 0.007256 and the F-statistic of 5.196366 show how well the regression model describes the data. Once more, the model shows that it is still very statistically significant even at 5% levels. In the meantime, the Durbin Watson estimate of 1.818691 shows that autocorrelation has little impact on the model. This suggests that the model is fit for prediction. It is on these bases that, each of the research hypothesis postulated in earlier chapter of this research were tested in the next section of this chapter.

Test of Hypotheses

Ho_1: Current ratio has no significant effect on firm value of service firms in Nigeria.

In the case of hypothesis three, the regression result in table 4.5 reported a coefficient value of 0.704313, t-statistics value of 2.871798 which is higher than 1.96 benchmark and a probability value of 0.0051 which is lower than 5% level of significance but greater than 95% confidence level. By implication, Current ratio has significant effect on the firm value of service firms in Nigerian within the periods under review. It is on this basis; the study rejects the null hypothesis three and accept alternative which states that Current ratio has significant effect on firm value of service firms in Nigeria.

Ho_2: Debt to equity ratio has no significant effect on the firm value of service firms

The regression result in table 4.5 reported a coefficient value of 0.631120, t-statistics value of 1.430783 which is higher than 1.96 benchmark and a probability value of 1.8558 which is less than 5% level of significance but greater than 95% confidence level. By implication, the probability value which is less than 5% level of significance but greater than 95% confidence level shows that Debt to equity ratio has no significant effect on return on assets of firm value of service firms. It is on this basis; the study rejects the alternative hypothesis two and accepts the null hypothesis two instead. As such, the study reaffirmed that; Debt to equity ratio has no significant effect on the firm value of service firms

Discussions of findings

Current Ratio and Firm Value

The analysis reveals a significant positive relationship between the Current Ratio and firm value (CUR), indicating that firms with higher liquidity effectively utilize their assets to enhance profitability, showcasing the importance of maintaining adequate liquidity. Similarly, the Current Ratio also has significant positive influence on the firm value, suggesting that sufficient liquidity not only improves operational efficiency but also leads to better returns for shareholders, reinforcing the critical role of liquidity management in financial performance. A higher Current Ratio indicates that the company has a stronger financial position, which can boost investor confidence and attract more investment. A higher Current Ratio also indicates that the company is better able to meet its short-term obligations, which can make it more likely to survive economic downturns and other challenges. A higher Current Ratio can lead to a lower cost of capital for the company, as investors will view it as a lower-risk investment.They results above agrees with the findings of Duru and Nyseboame (2022). The resultTheresult however was at variance with the study findings of Almakura, Shiaki, Gambo and Muhammad (2024).

Debt to equity ratio and Firm Value

The study found that Equity financing has positive and significant effect on financial performance of oil and gas firms in Nigeria. This implies that A high Debt to Equity Ratio can increase the company's cost of capital, as investors will perceive the company as riskier. This can decrease the Firm Value, as higher costs of capital make it more difficult for the company to raise funds and grow. A high Debt to Equity Ratio can also indicate that the

company is overleveraged, which can negatively impact the Firm Value by signaling financial distress and instability.. This finding corroborates the finding of Gilbert (2018), Grullon, Michaely, Benartzi, & Thaler, (2005), Handayani, & Rachonawatii, (2014), Harjanti, Farhan, & Radiany, (2019).

CONCLUSION

Financial management techniques are essential for companies aiming to navigate the complexities of the modern business landscape and achieve sustainable wealth creation. Financial management is not just about managing finances; it is about shaping the future trajectory of the company and positioning it for long-term success in an ever-evolving business environment. Management needs to pay serious attention to the composition of the firm's financial structure as failure to achieve an optimal financial structure may lead to insolvency and financial distress which can ultimately lead to bankruptcy. On the basis of the findings, the study recommends among others that:

i The study found that Current ratio has significant effect on firm value, Firms should prioritize maintaining a strong Current Ratio by implementing effective financial management strategies, ensuring that short-term obligations are met without compromising operational efficiency

ii. The study found that Debt to equity ratio has no significant effect on the firm value, management should focus on optimizing the Debt to equity ratio while balancing it with investment opportunities that yield higher returns.

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