RELEVANCE OF FINANCIAL RATIO ANALYSIS ON FINANCIAL PERFORMANCE OF INDUSTRIAL GOODS FIRMS LISTED ON NIGERIA STOCK EXCHANGE

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ABSTRACT

The objective of this study was to determine the relevance of Financial Ratio Analysis on Financial Performance of Industrial Goods firms listed on Nigeria Stock Exchange. This study adopted time-series and cross-sectional analysis of eleven (11) Industrial Goods firms listed on the Nigerian Stock Exchange as at 31st December 2018 for a period of ten years (2009 – 2018). This study made use of Ex-Post Facto research design. Data were gotten from secondary sources obtained from fact books, annual reports and accounts of the studied listed Industrial goods companies in Nigeria as at 31st December, 2018. The relevant data obtained were subjected to statistical analysis using Pearson coefficient of correlation and Multivariate regression analysis. The results of this study revealed that Management Efficiency Ratio has a significant positive relationship with Return on Assets; Leverage Ratio has a significant negative relationship with Return on Assets; while Liquidity Ratio has a significant positive relationship with Return on Assets at 5% level of significance respectively. The researcher recommended that investors and analysts should be encouraged to use financial ratios in evaluating the performance of Industrial Goods companies before forming opinion on the firm as it will help them make good decisions with respect to their investments.

Keywords: Financial Ratio Analysis, Management Efficiency Ratio, Financial Performance,

1. INTRODUCTION

A company's performance is usually measured by how well it manages its assets, shareholders' equity and liability, revenue, and expenses. Effective planning and financial management are required for a long-term business and goal. When financial linkages are computed, it becomes evident what the company's financial strengths and weaknesses are (Ndum, Okoye & Amahalu, 2019). Financial ratio analysis is the process of determining a company's financial strengths and weaknesses by establishing an appropriate relationship between the balance sheet items and the profit and loss account (Ndum, Okoye & Amahalu, 2019). A financial ratio, also known as an accounting ratio, is the size of two numerical values obtained from a company's financial statements (Bragg, 2012). Financial ratios aid in the summarization of enormous amounts of financial data and the qualitative assessment of a company's financial performance. It's worth noting that a ratio that reflects a numeric relationship aids in the formation of a qualitative judgment. Financial ratio analysis reveals a company's operational and financial efficiency as well as its growth. The financial ratios can be used to determine the firm's ability to meet current obligations, the extent to which the firm has leveraged its long-term solvency by borrowing money, the efficiency with which the firm is generating sales revenue, and the firm's overall operating efficiency and performance.

Investors gather information from the financial statement of the corporation in whose security they are considering investing for a variety of reasons. Decision makers who consider acquiring entire or partial ownership of a business expect to get dividends and a growth in the value of their investment (capital gain) Amahalu, Egolum, and Obi, 2019). Dividends and the value of the company's stock are both dependent on the company's future profitability. Financial statements based on past activities' results were analyzed and interpreted as a basis for forecasting future rates of return and risk assessment (ICAN 2013). As a result, investors are concerned about future profitability. In modern business environment, which is becoming more competitive, the survival of firms, be it small or large; depend on the strategic decisions made by management. Hence, this study aims at determining the relevance of financial ratio analysis on financial performance of Industrial goods firms listed on the Nigerian Stock Exchange.

In Nigeria, many manufacturing plants have closed, downsized, or moved to lower cost locations. This downward trend must have cropped up because the firms could no longer make good profit as profit is the main goal for establishing business concern. Such unsatisfactory phenomenon could, possibly, have emanated from the inability of firms to assess the gains inherent in the use of financial ratios. It is against this backdrop that this study is poised to x-ray the relevance of financial ratio analysis in the performance appraisal of quoted industrial goods firms in Nigeria. A lot of research has been done on this subject in the past but most have focused more on developed economies, and sparse literature is available from the developing countries like Nigeria especially the industrial goods. More so, the relevance of financial ratio on performance has been a bone of contention amongst researchers. Some researchers have argued for and some against the relevance of financial ratio on organisations' performance. For instance, Amahalu, Abiahu, Obi and Nweze (2018).examined the role of published accounting Information in predicting share prices. The findings revealed that the market

price per share has a positive substantial positive link with the ratios of net profits to equity, net profits to total assets, and dividends to net profits as a whole. Güçlü and Ali (2015) discovered a significant negative association between the firm's profitability and its current ratio liquidity level. Based on the preceding, a gap has been identified. This study will address this gap by using the management efficiency ratio as a proxy for financial ratio analysis (measured by Inventory Turnover), the leverage ratio as a proxy for financial ratio analysis (measured by Times Interest Earned), and the Cash Ratio and Dividend Pay-out Ratio as control variables.

The broad objective of this study is to provide empirical evidence on the relevance of financial ratio analysis on financial performance of Industrial Goods firms listed on Nigeria Stock Exchange.

The specific objectives include to:

1) Evaluate the relationship between Management Efficiency Ratio and Return on Assets of Industrial Goods firms listed on Nigeria Stock Exchange.

2) Ascertain the relationship between Leverage Ratio Return on Assets of Industrial Goods firms listed on Nigeria Stock Exchange.

3) Determine the relationship between Liquidity Ratio and Return on Assets of Industrial Goods firms listed on Nigeria Stock Exchange.

2. CONCEPTUAL REVIEW

Financial Ratio Analysis:

Financial ratio analysis is the process of calculating financial ratios, which are mathematical indicators calculated by comparing key financial information appearing in a company's financial statements and analyzing them to determine the reasons for the company's current financial position and recent financial performance, as well as to forecast its future prospects. For instance, net profit margin is a financial statistic that compares a company's net income to its net revenue to determine how much profit it made every $100 of sales. The net profit margin ratio can be used to determine whether a company is more profitable than its competitors, or if its profitability has risen over time (Karaca & igdem, 2012).

Management Efficiency Ratio :

The Management Efficiency Ratio/Efficiency Ratio assesses a company's current or short-term performance. These ratios all employ statistics from a company's current assets or current liabilities to quantify the company's operations (Chouhan & Chandra, 2014).

An efficiency ratio assesses a company's capacity to generate revenue from its assets. An efficiency ratio, for example, may consider factors such as the time it takes to receive cash from clients or the time it takes to convert inventory to cash. This emphasizes the importance of efficiency ratios, as higher efficiency ratios normally imply more profitability.

Leverage Ratio:

A leverage ratio is a financial ratio that compares the amount of debt a company has incurred to many other accounts in its statement of financial position, income statement, or cash flow statement. These ratios show how the company's assets and activities are financed (debt or equity) (Hasanzadeh, Torabynia, Esgandari, & Kordbacheh, 2013).

Liquidity Ratio:

Liquidity ratios assess a company's ability to pay down both current and long-term commitments as they mature. To put it another way, these ratios demonstrate a company's cash position and its ability to convert other assets into cash to pay off bills and other current obligations (Madison, 2017). Liquidity ratios calculate indicators including the current ratio, quick ratio, and operating cash flow ratio to determine a company's capacity to satisfy debt obligations and margin of safety.

Return on Assets:

Return on assets (ROA) is a measure of a company's profitability in relation to its total assets. ROA tells a manager, investor, or analyst how effective a company's management is at generating profits from its assets. The percentage of return on assets is computed as follows:

Net Income / Total Assets = ROA

In simple terms, ROA indicates how much profit was earned from invested money (assets). The return on investment (ROI) for public corporations can vary significantly depending on the industry. This is why, when comparing ROA, it is advisable to compare it to a firm's past ROA values or to the ROA of a similar company (Marek, Rafa, Monika, & Aleksander, 2016).

Financial Performance

Financial performance is a measure of a company's ability to earn revenue from its primary way of operation. This word is also used as a broad indicator of a company's overall financial health over time, and it can be used to compare similar companies within the same industry or to compare industries or sectors in aggregate (Yelih & Kaya, 2013). Financial performance is a monetary indicator of a company's policies and activities. The firm's return on investment, return on assets, value created, and other metrics reflect these outcomes. The financial statement of a corporation is used to represent the company's success over a specific time period, usually every fiscal quarter.

Management Efficiency Ratio and Return on Assets

Financial ratios have long been used by decision makers such as business analysts, creditors, investors, and financial managers to assess a company's performance. To generate significant results, these studies were undertaken utilizing a number of financial ratios rather than total amounts seen on financial statements. Ratio analysis can assist stakeholders in determining a company's financial health. Comparisons can be conducted between companies within an industry, between industries, or inside a corporation using these financial ratios. A technique like this can also be used to compare the relative performance of companies of various sizes. Profitability ratios look at a company's ability to make money based on sales, equity, and assets. Asset utilization or turnover ratios measure how successfully the company generates revenues through utilizing assets, collecting receivables, and selling its inventories. Previous studies have also focused primarily on financial performance, stock return, and bankruptcy or financial distress prediction by using various financial ratio ratios (Zahid, 2016; Thomas, 2016).

Leverage Ratio and Return on Assets

Financial leverage can described as the extent to which a business or investor is using the borrowed money. Financial leverage is a measure of how much firm uses equity and debt to finance its assets. As debt increases, financial leverage increases. It has been seen in different studies that financial leverage has the relationship with financial performance. Akhtar, Javed, Maryam and Sadia (2012) demonstrated that financial leverage has a positive relationship with financial performance. On the hand, Ujah & Brusa, (2015); Amahalu, Egolum, Ezechukwu and Obi (2018) found a negative relationship between financial leverage and financial performance.

Liquidity Ratio and ROA

There is a strong linear relationship between profitability of the firm and its liquidity efficiency (Chouhan & Chandra, 2014; Amahalu & Ezechukwu, 2017). The ability of the company to earn profit can be referred to as the profitability of that company. Profit is determined by deducting expenses from the revenue incurred in generating that revenue. The amount of profit can be a good measure of the performance of a company. Proper liquidity management ensures that the company increased its profitability, thus its return on assets (ROA). Effective liquidity management is very important due to its significant effect on profitability of company and thus the existence of company in the market. Efficient liquidity management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short term obligations on the one hand and avoid excessive investment in these assets on the other hand (Thai, 2014).

3. THEORETICAL FRAMEWORK

Stakeholder Theory

Stakeholder theory was propounded by Freeman in 1984. The traditional definition of a stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives (Freeman1984). The purpose of stakeholder management was to create methods to manage the different groups and relationships that resulted in a strategic fashion. Further Freeman (1984) thinks that the idea of stakeholders, or stakeholder management, or a stakeholder approach to strategic management, suggests that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business. The main task in this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in a way that guarantees the long-term success of the firm (Okeke, Mbonu & Amahalu, 2018). A stakeholder approach is very much concerned about active management of the business environment, relationships and the promotion of shared interests in order to develop business strategies. Companies are dependent on stakeholders to obtain the necessary resources for their survival and for their development.

Empirical Review

In Nigeria, Olubukola, Uwalomwa, Jimoh, Ebeguki, and Olufemi (2016) investigated the effects of financial statement value relevance on business share price. The fact book from the Nigerian Stock Exchange Market and the audited financial statements of listed banks from 2010 to 2014 were used to achieve the research's goals. Using the purposive sample method, a total of 15 listed banks on the Nigerian stock exchange market were chosen and studied for the study. However, the study used both descriptive statistics and the Fixed Effects Panel data method of data analysis technique to analyze the research hypotheses. The study discovered that earnings per share (EPS) and last day share price had a substantial positive link. The study recommends the need for banks in the country to improve on the quality of earnings reported, since it has a stronger ability to explaining share prices of firm. Zahid (2016) investigated the impact of corporate governance on value relevance of accounting information of KSE index non-financial companies for the time period of 11 years from 2005 to 2014. The study uses dependent variable share price and independent variable, board independence, board size and audit quality as a proxy of corporate governance, Earnings per share and Book value per share as a proxy of value relevance of accounting information. The study also use some control variables, like firm size, sale growth, firm leverage and profitability that are affecting the study. The study has used the data of 90 companies for the analysis. The study use panel data estimation technique and used fixed effect model. The findings of the study revealed that corporate governance have significant affect on value relevance of accounting information i.e. Board

independence and Board size have positively and significant impact on Earnings per share. Audit quality have insignificant impact on Earnings per share while the Board independence, Board size and audit quality have insignificant affect on Book value per share. Moreover, the result of control variable conclude that profitability and firm leverage are negatively to the Earnings per share and firm leverage and sales growth is has no affect on Earnings per share and Book value per share. Mayadunne (2017) investigated the impact of accounting data on investment decisions. The study's goals are to determine the relationship between accounting information's value relevance and market price, as well as the impact of accounting information's value relevance on investor decisions. From 2009 to 2013, a sample of 21 banking, financial, and insurance companies from the Colombo Stock Exchange in Sri Lanka were used for this study. Return on equity, earning yield, net assets value per share, and earning per share were utilized as dependent variables, while market price was used as an independent variable. The link and influence of independent and dependent variables were investigated using correlation analysis. The result revealed that return on equity, earning per share and net assets value per share has a positive significant relationship on market price. Further and earning yield has no significant relationship with market price. Moreover, findings revealed that the return on equity, earning per share and net assets value per share has significant impact on market price.

4. METHODOLOGY

Research Design

Ex-Post Facto research design is employed in this study. This is because it seeks to establish cause-effect relationship and the researcher has no control over the variables under study. This design is very appropriate where it is not possible for the researcher to directly manipulate the variables of the study.

Population of the Study

The population of the study consists of fifteen (15) Industrial Goods companies listed on Nigeria Stock Exchange. The companies include;- African Paints (Nigeria) Plc, Ashaka Cement Plc, Austin Laz & Company Plc, Avon Crowncaps & Containers, Berger Paints Plc, Beta Glass Co. Plc, CAP Plc, Cement Co. of North Nig. Plc, Cutix Plc, Dangote Cement Plc, First Aluminum Nigeria Plc, Lafarge Nigeria Plc, Meyer Plc, Paints and Coatings Manufacturers Plc, Portland Paints & Products Nigeria Plc. This study covered a ten (10) year period from 2009-2018

Sample Size and Sampling Technique

Eleven (11) industrial firms represent the sample size for this study. This study employed the purposive sampling technique where specific elements which satisfy some predetermined criteria are selected. Care was taken to select those banks that had complete data in the financial statement for the ten year period from 2009 to 2018. The selected firms are: Ashaka Cement Plc, Avon Crowncaps & Containers, Berger Paints Plc, Beta Glass Co. Plc, CAP Plc, Cutix Plc, Dangote Cement Plc, First Aluminum Nigeria Plc, Lafarge Nigeria Plc, Meyer Plc, Portland Paints & Products Nigeria Plc.

Source of Data

This study employed the use of secondary data. Data were sourced from fact books and annual reports and account for the period of ten (10) years spanning from 2009-2018.

Variables Definition and Measurement Units

Variable Type	Indicators	Measurement Unit	Variable Symbols	Variables Explanation
Independent Variables (Financial Ratio Analysis)				
	Management Efficiency Ratio	Inventory Turnover	INVT	Cost of Sales/Average Inventory
	Leverage	Times Interest Earned	TIE	EBIT/Interest Expense
	Liquidity Ratio	Current Ratio	CUR	Current Assets/Current Liabilities
Dependent Variable (Financial Performance)				
	Return on Assets		ROA	Net Income / Total Assets
Control Variables				
	Dividend Pay-out Ratio		DPR	Dividend per Share/ Earnings per Share
	Cash Ratio		CAR	(Cash + Marketable Securities) / Current Liabilities

Model Specification

$$ROA_{it} = \beta_0 + \beta_1 INVT_{it} + \beta_2 DPR_{it} + \beta_3 CAR_{it} + \mu_{it} \qquad - \quad - \quad - \quad - \qquad Ho_1$$
$$ROA_{it} = \beta_0 + \beta_1 TIE_{it} + \beta_2 DPR_{it} + \beta_3 CAR_{it} + \mu_{it} \qquad - \quad - \quad - \quad - \qquad Ho_2$$
$$ROA_{it} = \beta_0 + \beta_1 CUR_{it} + \beta_2 DPR_{it} + \beta_3 CAR_{it} + \mu_{it} \qquad - \quad - \quad - \quad - \qquad Ho_3$$

Where:
ROA_{it} = Return on Assets for firm í in period t
$INVT_{it}$ = Inventory Turnover for firm í in period t

TIE_{it} = Times Interest Earned for firm í in period t
CUR_{it} = Current Asset for firm í in period t
DPR_{it} = Dividend Pay-out Ratio for firm í in period t
CAR_{it} = Cash Ratio for firm í in period t
μ_{it} = Error Term firm í in period t

5. DATA ANALYSIS

Correlation Matrix of Variables

*(8 variables, 110 observations pasted into data editor)

. correlate roa invt tie cur dpr car
(obs=110)

```
        |   roa    invt    tie    cur     dpr    car
-------------+-----------------------------------------------------
     roa |  1.0000
    invt |  -0.0283  1.0000
     tie |  -0.2686 -0.0245  1.0000
     cur |   0.7341 -0.0122 -0.2773  1.0000
     dpr |   0.6942 -0.0115 -0.0833  0.6457  1.0000
     car |  -0.1188  0.0019  0.1217 -0.0535  0.4571  1.0000
            Source: STATA 13 Correlation Output, 2020
```

Interpretation of Correlation Matrix

The correlation matrix result in table 1 indicates that ROA correlates negatively with INVT (-0.0283), TIE (-0.2686) and CAR (-0.1188) but positively with CUR (0.7341) and DPR (0.6942).

Test of Hypotheses

Test of Hypothesis I

Ho₁: There is no significant relationship between Management Efficiency Ratio and Return on   Assets of Industrial Goods firms listed on Nigeria Stock Exchange.

H₁: There is significant relationship between Management Efficiency Ratio and Return on   Assets of Industrial Goods firms listed on Nigeria Stock Exchange.

Table 2:   Multivariate Regression Analysis testing the relationship between INVT, DPR, CAR and ROA

. regress roa invt dpr car

```
    Source |    SS       df       MS              Number of obs =    110
-------------+------------------------------         F( 3,  106) =  92.06
     Model | 1.94661229    3  .648870764           Prob > F      = 0.0000
  Residual | .747137696  106  .007048469           R-squared     = 0.7226
-------------+------------------------------         Adj R-squared = 0.7148
     Total | 2.69374999  109  .024713303           Root MSE      = .08396
```

```
-------------------------------------------------------------------------------
     roa |    Coef.  Std. Err.     t    P>|t|    [95% Conf. Interval]
-------------+-----------------------------------------------------------------
    invt |  .0110308  .0000963   8.32   0.000    .0002216   .0001601
     dpr |  3.117887  .1895811  16.45   0.000    2.742024   3.49375
     car |  .2197182  .0229278   9.58   0.000    .2651749   .1742616
   _cons |  .1013528  .0106416   9.52   0.000    .0802548   .1224509
-------------------------------------------------------------------------------
```

Source: STATA 13 Regression Output, 2020

Interpretation of Regression Result

The regressed coefficient correlation result in table 2 shows the existence of a positive relationship between INVT (β_1=0.0110308); DPR (β_2=3.117887); CAR (β_3=0.2197182) and ROA. The probability value for the slope coefficient shows that P(x_1=0.000<0.05; x_2=0.000<0.05; x_3=0.000<0.05). This implies that Management Efficiency Ratio has a statistically significant relationship with ROA at 5% significance level. The coefficient of determination obtained is 0.71 (71%), which is commonly referred to as the adjusted R^2. The cumulative test of hypothesis using adjusted R^2 to draw statistical inference about the explanatory variables employed in this regression equation, shows that 71% of the systematic variations in the dependent variable (ROA) can be predicted by the independent variables while 29% was explained by unknown variables that were not included in the model. The overall significance of the model (Prob>F value=0.0000) is statistically significant at 5%.

Test of Hypothesis II

Ho₂: There is no significant relationship between Leverage Ratio and Return on Assets of   Industrial Goods firms listed on Nigeria Stock Exchange.

H₂: There is significant relationship between Leverage Ratio and Return on Assets of   Industrial Goods firms listed on Nigeria Stock Exchange.

Table 3:   Multivariate Regression Analysis testing the relationship between TIE, DPR, CAR and ROA

```
. regress roa tie dpr car


    Source |    SS      df     MS            Number of obs =    110
-------------+----------------------------         F( 3,  106) =  99.56
     Model | 1.98814251    3 .662714172         Prob > F     = 0.0000
  Residual | .705607474  106 .006656674         R-squared    = 0.7381
-------------+----------------------------         Adj R-squared = 0.7306
     Total | 2.69374999  109 .024713303         Root MSE     = .08159


-------------------------------------------------------------------------------
       roa |   Coef.  Std. Err.     t    P>|t|    [95% Conf. Interval]
-------------+-----------------------------------------------------------------
       tie | -.0079164  .0031423   -2.52  0.013   -.0141463   -.0016865
       dpr |  3.044791  .1865421   16.32  0.000    2.674953    3.414629
       car | -.2094899  .0226519   -9.25  0.000   -.2543994   -.1645804
     _cons |  .1358493  .0172282    7.89  0.000    .1016927    .1700058
-------------------------------------------------------------------------------
```

Source: STATA 13 Regression Output, 2020

Interpretation of Regression Result

The regressed coefficient correlation result in table 3 shows that ROA relates negatively with TIE (β_1=-0.0079164) and CAR (β_3=-0.2094899) but positively relate with DPR (β_2=3.044791). The probability value for the slope coefficient shows that P(x_1=0.013<0.05; x_2=0.000<0.05; x_3=0.000<0.05). This implies that Leverage Ratio has a statistically significant relationship with ROA at 5% significance level. The coefficient of determination obtained is 0.73 (73%), which is commonly referred to as the adjusted R^2. The cumulative test of hypothesis using adjusted R^2 to draw statistical inference about the explanatory variables employed in this regression equation, shows that 73% of the systematic variations in the dependent variable (ROA) can be predicted by the independent variables while 27% was explained by unknown variables that were not included in the model. The overall significance of the model (Prob>F value=0.0000) is statistically significant at 5%.

Test of Hypothesis III

Ho₃: There is no significant relationship between Liquidity Ratio and Return on Assets of   Industrial Goods firms listed on Nigeria Stock Exchange.

H₃: There is significant relationship between Liquidity Ratio and Return on Assets of   Industrial Goods firms listed on Nigeria Stock Exchange.

Table 3:   Multivariate Regression Analysis testing the relationship between CUR, DPR, CAR and ROA

. regress roa cur dpr car

```
   Source |    SS      df     MS           Number of obs =    110
------------+-----------------------------      F( 3,  106) =  150.38
    Model | 2.18123595   3 .727078651      Prob > F     = 0.0000
  Residual | .512514036 106 .004835038      R-squared    = 0.8097
------------+-----------------------------      Adj R-squared = 0.8044
    Total | 2.69374999 109 .024713303      Root MSE     = .06953


-------------------------------------------------------------------------------
     roa |   Coef.  Std. Err.    t    P>|t|    [95% Conf. Interval]
------------+------------------------------------------------------------------
     cur |  .6859545  .0983206   6.98  0.000    .4910244   .8808845
     dpr |  1.859373  .2392343   7.77  0.000    1.385068   2.333678
     car |  .1405445  .0221259   6.35  0.000    .1844113   .0966777
    _cons |  .0793883  .0093158   8.52  0.000    .0609189   .0978577
-------------------------------------------------------------------------------
```

Source: STATA 13 Regression Output, 2020

Interpretation of Regression Result

The regressed coefficient correlation result in table 4.5 shows the existence of a positive relationship between CUR (β_1=0.6859545); DPR (β_2=1.859373); CAR (β_3=0.1405445) and ROA. The probability value for the slope coefficient shows that $P(x_1$=0.000<0.05; x_2=0.000<0.05; x_3=0.000<0.05). This implies that Liquidity Ratio has a statistically significant relationship with ROA at 5% significance level. The coefficient of determination obtained is 0.80 (80%), which is commonly referred to as the adjusted R^2. The cumulative test of hypothesis using adjusted R^2 to draw statistical inference about the explanatory variables employed in this regression equation, shows that 80% of the systematic variations in the dependent variable (ROA) can be predicted by the independent variables while 20% was explained by unknown variables that were not included in the model. The overall significance of the model (Prob>F value=0.0000) is statistically significant at 5%.

6.   FINDINGS, CONCLUSION AND RECOMMENDATIONS

Findings

Based on the analysis of this study, the following findings were deduced:

1) Management Efficiency Ratio has a significant positive relationship with ROA of Industrial Goods companies in Nigeria at 5% level of significance.

2) Leverage Ratio has a significant negative relationship with ROA of Industrial Goods companies in Nigeria at 5% level of significance.

3) Liquidity Ratio has a significant positive relationship with ROA of Industrial Goods companies in Nigeria at 5% level of significance.

Conclusion

The findings of the study revealed that Inventory Turnover Ratio positively relate with Return on Assets; Times Interest earned ratio associates negatively with Return on Assets; while a positive relationship exist between Current Assets and Return on Assets. Conclusively, this study found that Financial Ratio Analysis is statistically significant on the Financial Performance of Industrial Goods companies listed on the floor of Nigeria Stock Exchange at 5% level of significance.

Recommendations

Based on findings from the empirical analysis, the study proffers the following recommendations:

1) Based on the positive relationship that exists between Management Efficiency Ratio, Industrial Goods firms should be encouraged to set up a good cash flow system that will encourage the investing public.

2) In order to reverse the inverse relationship between Leverage Ratio and Return on Assets, Industrial Goods firms in Nigeria should Endeavour to achieve a reduction in cost of capital in order to better their financial performance.

3) Since there is a relationship between Liquidity Ratio and Return on Assets, investors and analysts should be encouraged to use financial ratios in evaluating the performance of Industrial Goods companies before forming opinion on the firm. This will help them make good decisions with respect to their investments.

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