

Current and Quick Assets on Firm Value of Listed Non-Financial Firms in Nigeria: The Moderating Role of Dividend Policy

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ABSTRACT

Firms face several challenges in enhancing their value, including poor governance, financial mismanagement, weak liquidity, and ineffective dividend policies, which can hinder profitability and investor confidence. This study examines the effect of current assets, quick assets on firm value of listed non-financial firms in Nigeria, with a focus on the moderating role of dividend policy. The study employs an ex post facto with emphasis on longitudinal panel research design in analyzing data from 70 firms over the period 2013–2024 collected from published financial statement of listed non-financial firms in Nigeria. Data collected was analyzed using panel regression analysis in EViews-13 software. The reveal that current ratio and quick ratio both has an insignificant effect on Tobin's Q of listed non-financial firms directly but significant effect when moderated by the dividend payout ratio. The study concludes that dividend policy plays a crucial moderating role in influencing the effect of liquidity on firm value of listed non-financial firms in Nigeria. Based on these findings, the study recommends that the listed non-financial firms should continue to focus on improving their liquidity by optimizing their current and quick ratio to strengthen the relationship between liquidity and firm value.

Keywords: Current Ratio, Quick Ratio, Firm Value, Tobin's Q, Dividend Payout Ratio, Firm Size.

INTRODUCTION

Non-financial firms are crucial to Nigeria's economic growth and development because they represent the real sector responsible for the production of goods and services. Their importance is reflected in their contributions to GDP, employment generation, and economic diversification. As a result, the performance and sustainability of these firms are essential for overall economic stability and growth. Firm value is a critical determinant of the financial health and growth potential of listed non-financial firms, particularly in sectors such as manufacturing, oil and gas, consumer goods, and industrial goods. Firm value reflects investors' perceptions of future earnings and growth prospects and serves as an important indicator of financial performance (Abubakar et al., 2020; Barontini & Caprio, 2006).

Despite their importance, many listed non-financial firms in Nigeria face challenges in maximizing firm value due to inefficient capital utilization, weak corporate governance, and volatile market conditions. Macroeconomic factors such as inflation, fluctuating commodity prices, and inconsistent regulatory policies further complicate their ability to maintain stable firm value. These challenges often result in stock price volatility, reduced investor confidence, and firm undervaluation (Habibu et al., 2019). The persistent undervaluation of firms limits their ability to attract investment and constrains their growth potential, thereby posing a threat to long-term economic development.

Liquidity management, particularly through current assets and quick assets, plays a critical role in determining firm stability and operational efficiency. Current assets such as cash, receivables, and inventory ensure that firms can meet short-term obligations and maintain smooth operations. Effective management of these assets enhances financial stability and supports firm value (Raindraputri & Wahyuati, 2019). Similarly, quick assets represent the

most liquid resources available to firms and provide a financial buffer against unexpected obligations and economic shocks (Yanti & Darmayanti, 2019; Morakinyo et al., 2018). Firms with strong liquidity positions are generally better equipped to withstand market volatility and maintain investor confidence.

Dividend policy also plays an important role in influencing firm value by signaling financial strength and future prospects to investors. According to signaling theory, stable dividend payments convey positive information about a firm's performance and financial stability, thereby enhancing firm value (Akhmadi & Januarsi, 2021). Dividend policy can strengthen or weaken the relationship between financial indicators and firm value depending on how investors interpret dividend signals (Tahu & Susilo, 2017; Ibrahim et al., 2023).

Despite the importance of liquidity in sustaining firm operations and value, many listed non-financial firms in Nigeria continue to experience unstable firm value and market undervaluation. This suggests that firms may not be effectively managing their liquidity resources or communicating their financial strength to investors through dividend policy. While liquidity indicators such as current ratio and quick ratio are expected to influence firm value, their effects may vary depending on dividend decisions. However, the extent to which dividend policy influences the relationship between liquidity and firm value among listed non-financial firms in Nigeria remains unclear.

Previous studies have examined the relationship between liquidity and firm value or dividend policy and firm performance (Morakinyo et al., 2018; Omoregie & Ige, 2025; Okechukwu & Younghwan, 2024). However, many of these studies have either ignored the moderating role of dividend policy or relied on limited datasets and shorter study periods. Furthermore, limited empirical evidence exists on how dividend policy moderates the relationship between liquidity indicators, particularly current ratio and quick ratio, and firm value among listed non-financial firms in Nigeria. This lack of comprehensive analysis creates a gap in understanding how dividend policy interacts with liquidity to influence firm value.

The motivation for this study arises from the need to understand how liquidity management and dividend policy jointly influence firm value in the Nigerian non-financial sector. Given the importance of firm value for attracting investment and sustaining growth, it is necessary to identify the financial factors that enhance firm valuation. What stands out in this study when compared with existing studies lies in the fact this study examined dividend policy as a moderating variable in the relationship between liquidity and firm value using a comprehensive panel dataset covering the period 2013–2024. In addition, the use of Tobin's Q as a proxy for firm value provides a more comprehensive measure by incorporating both market valuation and asset replacement cost. This approach provides deeper insights into how liquidity and dividend policy interact to influence firm value among listed non-financial firms in Nigeria. To achieve this the following hypotheses are stated thus:

H₀₁: Current ratio has no significant effect on Tobin's Q of listed non-financial firms in Nigeria when moderated by dividend policy.

H₀₂: Quick ratio has no significant effect on Tobin's Q of listed non-financial firms in Nigeria when moderated by dividend policy.

LITERATURE REVIEW

Conceptual Review

Current Ratio

Current assets are short-term liquid resources that a firm expects to convert into cash, sell, or consume within one financial year or operating cycle. These assets are essential for the day-to-day operations of a firm because they provide the liquidity required to meet short-term obligations and sustain business activities. Examples of current assets include cash and cash equivalents, marketable securities, accounts receivable, inventory, short-term

investments, and prepaid expenses. Because they can be quickly converted into cash, current assets play a crucial role in ensuring that firms can meet immediate financial commitments such as operating expenses, payroll, and short-term liabilities (Makori & Jagongo, 2018).

Maintaining adequate current assets enables firms to operate efficiently and maintain stable cash flow. Current assets are reported in the statement of financial position under the asset section and are a key indicator of a firm's liquidity position. In accounting terms, current assets are those expected to be realized, consumed, or sold during the normal operating cycle of a business or within one year. As such, they form the basis for measuring a firm's short-term financial strength and operational efficiency.

The current ratio is a key liquidity indicator derived from current assets and is commonly used to assess a firm's ability to meet its short-term obligations. According to Mukhopadhyay (2014), the current ratio is a liquidity ratio that measures a firm's capacity to pay its short-term liabilities using its current assets. The ratio is also referred to as the working capital ratio because it reflects the relationship between short-term resources and short-term obligations. It provides insight into the financial health of a firm and its ability to utilize current assets effectively to settle liabilities as they fall due (Makori & Jagongo, 2018).

A current ratio between 1.5 and 2.0 is generally considered satisfactory, as it indicates that a firm has sufficient current assets to cover its short-term liabilities and operate under relatively stable financial conditions. A ratio below 1 suggests that a firm may have difficulty meeting its short-term obligations because its liabilities exceed its current assets. On the other hand, an excessively high current ratio may indicate inefficient utilization of resources, as excess funds may be tied up in non-productive assets. However, the ideal current ratio varies across industries, and meaningful evaluation requires comparison with industry averages (Makori & Jagongo, 2018).

In this study, the current ratio is used as a proxy for current assets and is computed as:

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

The current ratio is particularly relevant to this study because it reflects the ability of listed non-financial firms in Nigeria to maintain liquidity and sustain operations, which may ultimately influence firm value.

Quick Ratio

Quick assets, also known as liquid assets, are the most readily convertible assets of a firm that can be quickly turned into cash with minimal loss of value. These assets are essential for meeting short-term financial obligations, taking advantage of investment opportunities, and providing a financial cushion during periods of uncertainty. Quick assets typically include cash and cash equivalents, accounts receivable, and marketable securities, while excluding less liquid items such as inventory and prepaid expenses (Almakura et al., 2024).

Cash and cash equivalents consist of physical cash, balances in current and savings accounts, and highly liquid investments such as money market instruments. Accounts receivable represent amounts owed to the firm by customers for goods or services already delivered, while marketable securities include short-term investments such as stocks and bonds that can be easily sold in financial markets. These assets are particularly important because they enable firms to meet immediate obligations such as loan repayments and accounts payable without having to dispose of inventory or seek external financing.

The quick ratio, also known as the acid-test ratio, is a liquidity measure that evaluates a firm's ability to meet its short-term liabilities using only its most liquid assets. Unlike the current ratio, the quick ratio excludes inventory and prepaid expenses because they may take longer to convert into cash. As a result, the quick ratio is considered a more conservative and stringent measure of liquidity (Almakura et al., 2024).

The quick ratio is useful in assessing a firm's short-term financial strength and stability. A quick ratio of 1:1 or higher is generally considered satisfactory, indicating that the firm has sufficient liquid assets to cover its current liabilities. A low quick ratio may signal potential liquidity problems, such as excessive short-term debt, slow receivables collection, or weak sales performance. Therefore, the quick ratio provides investors and managers with insight into the firm's ability to manage short-term obligations without relying on the sale of inventory or additional borrowing.

In this study, the quick ratio is used as a proxy for liquid asset management and is computed as:

$$QR = \frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liabilities}}$$

The quick ratio is particularly relevant to this study because it reflects the ability of listed non-financial firms in Nigeria to maintain immediate liquidity, which may influence investor confidence and ultimately affect firm value.

Firm Value

Firm value is a central concept in corporate finance and strategic management, often linked to shareholder wealth and overall business success. It represents the total worth of a company, both in terms of its operational capabilities and financial performance (Lonkani, 2018). While its calculation and measurement may seem straightforward, firm value can be interpreted and defined through various perspectives that provide a more holistic understanding. This study will explore firm value from three different perspectives: the financial perspective, the market perspective, and the stakeholder perspective.

From the financial perspective, firm value is primarily viewed through the lens of financial metrics, focusing on elements like profitability, capital structure, and cash flow generation (Krause, & Tse, 2016). The most widely used measure from this perspective is Enterprise Value (EV), which calculates the total value of a firm by including both equity (market capitalization) and debt while subtracting cash. EV is considered more comprehensive than market capitalization alone because it accounts for a firm's debt obligations, which are essential components of its financial health. The financial perspective emphasizes the importance of maximizing returns on investment, reducing debt levels, and maintaining operational efficiency to drive firm value (Jensen, 2010). Companies that generate consistent profits, maintain low debt levels relative to equity, and demonstrate solid cash flow are seen as having higher firm value (Krause & Tse, 2016). In this view, the role of financial management is critical in optimizing the firm's cost of capital. Managers focus on reducing the weighted average cost of capital (WACC) and ensuring the firm's capital is deployed in high-return projects, which ultimately contributes to maximizing firm value. However, critics of the financial perspective argue that it tends to focus too narrowly on short-term financial performance, potentially neglecting long-term strategic considerations such as sustainability, innovation, or human capital development.

Tobin's Q

Tobin's Q was introduced by Nicholas Kaldor in 1966 and developed by James Tobin in 1967. It is extensively used in the financial literature as a proxy for future investment opportunities. The q ratio refers to the ratio between the market value of the firm's assets and the replacement value of its assets. The company's market value is calculated as the algebraic sum of the market value of the shares (MVS) plus the market value of the debts (MVD) that is, the capital owned by the company plus the capital of third parties. The replacement value of the assets (RVA) is given by the monetary disbursement needed to purchase the production capacity of the company with the most modern technology available at a minimal cost.

Ardina and Isnalita (2018) suggested that the company's value can be evaluated by the ratio of the market. The market ratio is the ratio that measures the market price relative to book value. There are several ratios to evaluate the market worth of organizations, out of which is Tobin's Q, as well as the price to book value, which will be investigated in this study. Tobin's Q will be applied to assess the firm's value due to its larger appeal. To give the maximum information for Tobin's Q, it integrates all sections of debt and share capital of the company, including common stock, the equity of the company, as well as the cost of replacement of company assets. For this study, Tobin's Q will be mathematically expressed as:

$$TQ = \frac{\text{Market value of stock and debt}}{\text{Total asset}}$$

Total asset

Dividend Policy

Dividend policy refers to the set of guidelines a firm follows in determining the proportion of its earnings to distribute to shareholders as dividends and the portion to retain for reinvestment. Dividend policy is an important aspect of corporate financial management because it influences shareholder wealth, investment decisions, and the firm's capital structure. It often involves balancing shareholders' expectations for immediate returns with the firm's need to retain sufficient earnings to finance future growth and operational stability (Made & Gst., 2021).

Dividend policy plays a significant role in shaping investor perception and market valuation. According to signaling theory, dividend payments convey information about a firm's financial strength and future prospects. A stable or increasing dividend payment signals strong financial performance and stability, which can positively influence investor confidence and firm value. Conversely, irregular or declining dividends may signal financial distress or uncertainty, thereby negatively affecting the market value of the firm. Therefore, dividend policy is closely linked to firm value and investment decisions.

In this study, dividend policy is measured using the dividend payout ratio, which represents the proportion of earnings distributed to shareholders as dividends. The dividend payout ratio reflects management's decision regarding the allocation of profits between dividend payments and retained earnings. A higher dividend payout ratio indicates that a larger portion of earnings is distributed to shareholders, while a lower ratio suggests that more earnings are retained for reinvestment and expansion.

The dividend payout ratio is particularly relevant to this study because it serves as a moderating variable in the relationship between liquidity (current ratio and quick ratio) and firm value. Firms with strong liquidity positions may choose to distribute higher dividends, which can enhance investor confidence and strengthen firm value. On the other hand, firms with weaker liquidity may retain earnings to support operations, which may influence how liquidity affects firm value. Thus, dividend policy may either strengthen or weaken the relationship between liquidity and firm value.

The dividend payout ratio is computed as follows:

$$DPOR = \frac{\text{Profit After Tax}}{\text{Total Dividend}}$$

Total Dividend

In this study, the dividend payout ratio is adopted as a proxy for dividend policy because it directly reflects the firm's dividend distribution behavior and provides insight into how dividend decisions influence the relationship between liquidity and firm value.

Firm Size

Firm size is a critical determinant of business performance and strategic decision-making, affecting a company's operational capacity, market strength, and financial stability (Tobibah & Firmansyah, 2024). While commonly associated with metrics like revenue, assets, or employee count, firm size is a multifaceted concept that can be viewed through different analytical lenses. From an operational efficiency perspective, larger firms typically benefit from economies of scale, enabling them to reduce per-unit costs and improve cost-effectiveness as output increases (Muhammad et al., 2024). These firms are also better positioned to invest in advanced technologies and automated systems, thereby enhancing productivity and streamlining processes. As a result, firm size can significantly influence a company's ability to compete, innovate, and sustain long-term growth.

Empirical Review

Adedokun et al. (2025) examined the effect of dividend policy and liquidity on firm value of consumer goods firms listed on the Nigerian Exchange Group. The study adopted a longitudinal research design using secondary data obtained from audited financial statements of 17 firms from 2012–2021. Panel regression analysis was used to analyze the data. The findings showed that liquidity and dividend policy had a positive and significant effect on firm value. The study concluded that firms with adequate liquidity and stable dividend policies tend to have higher market value. However, the study focused only on consumer goods firms, creating a sectoral gap, which the present study addresses by covering multiple non-financial sectors.

Bolek and Wolski (2021) examined the relationship between liquidity management and firm value among companies listed on the Warsaw Stock Exchange. The study employed a panel research design using secondary data obtained from listed firms over the period 2008–2018. Panel regression analysis was adopted for data analysis. The findings revealed that the current ratio had a positive and significant effect on firm value measured by Tobin's Q, while excessive liquidity reduced market valuation beyond the optimal level. The study concluded that firms should maintain optimal liquidity to maximize shareholder value. However, the study was conducted in Poland, creating a geographical gap that the present study addresses by focusing on listed non-financial firms in Nigeria.

Tran and Nguyen (2023) examined the relationship between working capital liquidity and firm value of non-financial firms listed on the Ho Chi Minh Stock Exchange. The study employed panel least squares estimation using data from 2013–2022. Tobin's Q was used to measure firm value, while current ratio and quick ratio measured liquidity. The findings indicated that the current ratio positively and significantly affected firm value, whereas the quick ratio had a weaker positive relationship. The study concluded that efficient liquidity management contributes to higher market valuation. However, the study was conducted outside Nigeria, limiting the generalizability of its findings.

Al-Homaidi et al. (2022) investigated the effect of liquidity on firm value among non-financial firms listed on the Indian Stock Exchange. The study utilized panel data covering the period 2010–2020 and employed generalized method of moments (GMM) estimation. Tobin's Q was adopted as the proxy for firm value, while current ratio and quick ratio measured liquidity. The findings revealed that liquidity positively and significantly influenced firm value. The study concluded that maintaining adequate liquidity improves market confidence and shareholder wealth. However, the study was conducted in India, creating a geographical gap addressed by the present study.

Pham and Tran (2024) examined the influence of liquidity management on firm value among listed industrial firms in Southeast Asia. The study employed panel regression analysis using secondary data covering the period 2014–2023. Firm value was measured using Tobin's Q, while liquidity was measured using the current ratio and quick ratio. The findings showed that the current ratio had a positive and significant effect on firm value, whereas the quick ratio had a positive but statistically insignificant effect. The study concluded that liquidity contributes

to firm value when maintained at an optimal level. However, the study focused on Southeast Asian firms, creating geographical differences from the Nigerian business environment.

Ibrahim and Isiaka (2024) examined the relationship between liquidity management and firm value of listed industrial goods companies in Nigeria. The study adopted an ex-post facto research design using secondary data obtained from annual reports of listed firms covering the period 2013–2022. Panel regression analysis was employed. Tobin's Q was used as the proxy for firm value, while current ratio and quick ratio measured liquidity. The findings revealed that the current ratio had a positive and significant effect on firm value, while the quick ratio exerted a positive but insignificant influence. The study concluded that maintaining adequate liquidity enhances market valuation. However, the study focused only on industrial goods firms, creating a sectoral gap addressed by the present study through the inclusion of multiple non-financial sectors.

THEORETICAL REVIEW

Bird in the Hand Theory

The Bird in the Hand Theory is a dividend policy theory developed by Gordon (1956) and Lintner (1962). The theory argues that dividend policy has a positive effect on the market value of a firm because investors prefer certain dividend income over uncertain future capital gains. According to Gitman and Zutter (2012), investors perceive dividends as less risky than retained earnings because dividends provide immediate and guaranteed returns. As a result, firms that pay higher dividends are likely to have higher stock prices and firm value.

The theory assumes that investors are generally risk-averse and therefore prefer current dividend payments rather than waiting for uncertain future earnings in the form of capital gains. This preference increases investor confidence and demand for the firm's shares, which in turn increases the firm's market value.

The Bird-in-the-Hand Theory is relevant to this study because dividend policy is examined as a moderating variable between liquidity, profitability, and firm value. Firms with strong liquidity and profitability positions are more capable of paying consistent dividends, which reduces investor uncertainty and enhances firm value. The theory therefore explains how dividend payout ratios may strengthen the relationship between financial performance indicators and firm value.

Signaling Theory

Signaling Theory was developed by Michael Spence (1973) to explain how information asymmetry between parties can be reduced through signals. In corporate finance, signaling theory explains how managers communicate private information about a firm's future prospects to investors through financial decisions such as dividend payments, financing decisions, and financial disclosures.

Dividend announcements are often interpreted by investors as signals about a firm's future performance. An increase in dividend payments is generally viewed as a positive signal that management is confident about the firm's future earnings and financial stability. Conversely, a reduction in dividends may signal financial distress or poor future prospects.

Dividend policy therefore serves as a communication tool between managers and investors, particularly in markets where information asymmetry exists. Investors rely on dividend signals when making investment decisions because they may not have full access to internal company information.

Signaling theory is particularly relevant to this study because dividend policy is treated as a moderating variable. Dividend payments provide signals about a firm's liquidity and profitability strength. Firms with strong liquidity and profitability that maintain stable dividend payouts send positive signals to investors, thereby increasing firm value.

This is especially important in the Nigerian capital market, where dividend announcements often influence investor perceptions and market reactions. Dividend payout ratios therefore serve as signals that may strengthen or weaken the relationship between liquidity, profitability, and firm value.

Liquidity Preference Theory

Liquidity Preference Theory was developed by John Maynard Keynes in 1936. The theory explains that individuals and firms prefer to hold liquid assets because liquidity provides security and flexibility in meeting financial obligations. According to the theory, cash and other liquid assets are preferred because they can be easily converted into purchasing power without loss of value.

Liquidity preference theory suggests that firms maintain liquid assets to meet short-term obligations and avoid financial distress. Adequate liquidity ensures smooth business operations and enhances investor confidence, while inadequate liquidity may lead to financial instability or even bankruptcy. The theory emphasizes that liquidity plays a fundamental role in financial decision-making because firms must balance the need for liquidity with the need for profitability and investment.

Liquidity Preference Theory is highly relevant to this study because liquidity is a key independent variable measured using the current ratio and quick ratio. The theory explains why firms maintain liquid assets and how liquidity influences financial stability and firm value. Firms with adequate liquidity are better positioned to meet their financial obligations, invest in profitable opportunities, and maintain stable dividend payments. This enhances investor confidence and ultimately increases firm value.

Liquidity Preference Theory also explains how dividend policy interacts with liquidity. Firms with higher liquidity are more likely to sustain dividend payments, while firms with low liquidity may struggle to maintain dividends even if they are profitable.

This study is anchored on Liquidity Preference Theory because it provides the most direct explanation of the relationship between liquidity and firm value. The theory explains why firms maintain liquid assets and how liquidity affects financial stability and investor confidence. Since the primary focus of this study is to examine the effect of liquidity (current ratio and quick ratio) and profitability on firm value, with dividend policy acting as a moderating variable, Liquidity Preference Theory provides the most appropriate theoretical foundation.

METHODOLOGY

This study adopts the ex-post facto research design with longitudinal panel regression analysis. The population of the study covers all the one hundred and seven (107) listed non-financial firms on the Nigerian Exchange Group. Twelve years (2013-2024) were selected for the study to present a clear picture of the problem in a determinable period. A sample size of seventy (70) listed non-financial firms was selected for this study using a purposive sampling technique. Covering a period of twelve (12) years (2013-2024). The choice of 2013 is based on the beginning of political instability that led to inflationary and exchange rate pressures, availability of data, and relevance of the study to today's economic reality. The selection was based on the following criteria:

Availability of data

- Any non-financial firms that do not publish their financial statement online are excluded.
- The firms were not delisted throughout the study period
- The firms must be active participants in the Nigerian exchange group over the term of the study.

- Panel regression technique was used to analyze the data collected with the aid of E-View 13 statistical package.

The empirical model for this study is adapted from Adedokun et al. (2025) because it examines liquidity, dividend policy, and firm value using panel data regression within the Nigerian context. The model is considered appropriate as it aligns with the study's objectives and is extended by incorporating dividend policy as a moderating variable between current ratio, quick ratio, and firm value of listed non-financial firms in Nigeria. The panel regression technique will be employed to analyze the data using E-Views 13 statistical software

Adapted model

$$ROA_{it} = \beta_0 + \beta_1 CRR_{it} + \beta_2 CHR_{it} + \epsilon_{it} \dots \dots \dots (i)$$

ROA_{it} : Return on Assets for firm i at time t , a measure of profitability.

CRR_{it} : Current Ratio for firm i at time t .

CHR_{it} : Cash Ratio for firm i at time t .

β_0 : Intercept of the regression line.

β_1, β_2 : Slope coefficients showing how changes in current and cash ratios affect ROA.

ϵ_{it} : Error term capturing unexplained variation.

Direct Model:

$$TQ = \beta_0 + \beta_1 CR_{it} + \beta_2 QR_{it} + \beta_3 FSZ_{it} + \epsilon_{it} \dots \dots \dots (ii)$$

Moderating Effect (Model)

$$TQ_{it} = \beta_0 + \beta_1 CR * DP_{it} + \beta_2 QR * DP_{it} + \beta_3 FSZ * DP_{it} + \epsilon_{it} \dots \dots \dots (iii)$$

Where:

TQ = Tobin Q Ratio (proxy for Firm Value)

CR = Current Ratio

QR = Quick Ratio

$DPOR$ = Dividend Pay Out Ratio (moderating variable)

$CR * DPOR$ = Current ratio interacting with Dividend Pay Out Ratio

$QR * DPOR$ = Quick Ratio interacting with Dividend Pay Out Ratio

FSZ = Firm Size (control variable)

β_0 = Intercept

$\beta_1 - \beta_3$ = Slope Coefficients

ϵ = Error term

i = Cross-sectional unit (firm)

t = Time period (year)

Table 3.1: Study Variables and their Measurement.

Variables	Measurement	Source
Tobin's Q Ratio (TQ) (Dependent Variable)	(Market Value of Equity + Book Value of Debt) / Total Assets	Gharaibeh & Qader, (2017)
Current Ratio (CR) (Independent Variable)	Current Assets / Current Liabilities	Etim et al., (2022)
Quick Ratio (QR) (Independent Variable)	Current Assets-Inventory / Current Liabilities	Etim et al., (2022)
Dividend Payout Ratio (DPOR) (Moderating Variable)	Dividend / Profit After Tax	Virginus, (2020)
Firm Size (FSZ) (Control Variable)	Natural Logarithm of the Firm's Total Assets	Sunday et al., (2019)

Source: Researcher Compilation (2025)

A priori Expectation

The current study envisages that the coefficient of current ratio and Quick ratio are expected to have a significantly positive effect on the firm value of listed non-financial firms in Nigeria when moderated by dividend policy. $\beta_1 - \beta_3 > 0$

RESULT AND DISCUSSION

Descriptive Statistics

In order to have a glimpse of the data used in the study, a first pass at the data in the form of descriptive statistics was carried out. This gives us a good idea of the patterns in the data used for the analysis. The summary statistics are presented in Table 4.1 below.

Table 4.1: Descriptive Analysis Result

	TQ	CR	QR	FSZ
Mean	0.233856	6.328026	0.711950	7.147196
Median	0.163000	6.347250	0.204000	7.029500
Maximum	0.979000	8.775000	9.872351	9.637000
Minimum	0.134000	0.010000	0.587000	2.837000



Std. Dev.	0.236431	1.011110	1.651510	0.838827
Skewness	1.173641	-0.696140	3.499906	0.099651
Kurtosis	3.468511	5.275628	15.33897	3.428450
Jarque-Bera	200.5233	249.0925	7043.668	7.815188
Probability	0.000000	0.000000	0.000000	0.020089
Sum	196.4392	5315.542	598.0382	6003.645
Sum Sq.Dev.	46.89997	857.7463	2288.359	590.3466
Observations	840	840	840	840

E-View 13 Output (2025)

After moderation

	TQ	CR_DPOR	QR_DPOR	FSZ_DPOR
Mean	0.233856	1.651939	45.19734	4.979909
Median	0.163000	1.135702	44.85659	1.462512
Maximum	0.979000	8.468460	69.16302	79.36794
Minimum	-0.134000	-1.083658	0.000000	-4.444764
Std. Dev.	0.236431	1.675023	8.822517	11.48077
Skewness	1.173641	1.230553	-0.156537	3.583084
Kurtosis	3.468511	3.840517	3.743687	16.39994
Jarque-Bera	200.5233	236.7230	22.78801	8081.931
Probability	0.000000	0.000000	0.000011	0.000000
Sum	196.4392	1387.629	37965.77	4183.124
Sum Sq. Dev.	46.89997	2353.985	65305.08	110587.1
Observations	840	840	840	840

Table 4.1 revealed the summary of descriptive statistics of the variables included in the model. It shows the mean values of 0.233856, 6.328026, 0.711950, and 7.147196 for TQ, CR, QR, and FSZ, respectively. The standard deviation from the mean is 0.236431, 1.011110, 1.651510, and 0.838827 for TQ, CR, QR, and FSZ,



respectively, during the 2013 to 2024 study period. Further analysis shows the minimum values of 0.134000, 0.010000, 0.587000, and 2.837000, and maximum values of 0.979000, 8.775000, 9.872351, and 9.637000, respectively. This implies that the current ratio and quick ratio do not witness a substantial increase during the study period, as the standard deviation is moderately low compared to the mean. Kurtosis value measures the peakness and flatness of the distribution of the series. If the Kurtosis value is less than 3, it means the distribution of the variable is normal, but when it is more than 3, the distribution of the variable is said to be abnormal.

Correlation Analysis

Table 4.2 presents correlation values between dependent and independent variables and the correlation among the independent variables themselves. These values are generated from the Pearson Correlation output. The Table contains a correlation matrix showing the Pearson correlation coefficients between the dependent and independent variables and among the independent variables of the study. Generally, a high correlation is expected between dependent and independent variables, while a low correlation is expected among independent variables.

Decision Rule: The correlation between two variables must be between -1 and 1.

Table 4.2: Correlation Analysis Result

Covariance Analysis: Ordinary					
Date: 12/04/25 Time: 01:39					
Sample: 2013 2024					
Included observations: 840					
Balanced sample (listwise missing value deletion)					
Correlation					
Probability	TQ	CR	QR	FSZ	
TQ	1.000000				

CR	0.024998	1.000000			
	0.0494	-----			
QR	0.122366	0.042791	1.000000		
	0.0004	0.2154	-----		



FSZ	-0.098324	-0.035767	-0.078442	1.000000	
	0.0043	0.3005	0.0230	-----	

E-View 13 Output (2025)

After moderation

Covariance Analysis: Ordinary						
Date: 07/21/26 Time: 23:44						
Sample: 1 840						
Included observations: 840						
Correlation						
Probability	TQ	CR_DPOR	QR_DPOR	FSZ_DPOR		
TQ	1.000000					

CR_DPOR	0.985625	1.000000				
	0.0000	-----				
QR_DPOR	-0.050933	0.002066	1.000000			
	0.1402	0.9523	-----			
FSZ_DPOR	-0.123204	-0.122739	-0.063107	1.000000		
	0.0003	0.0004	0.0675	-----		

E-View 13 Output (2026)

Table 2 shows the correlation between the dependent variable, TQ and the independent variables of CR and QR and also among the independent variables themselves on the other hand. According to Gujarati (2004), a correlation coefficient between two independent variables of 0.80 is considered excessive, and thus, certain

measures are required to correct that anomaly in the data. From the table, it can be seen that all the correlation coefficients among the independent variables are below 0.80.

This points to the absence of possible multicollinearity among the independent variables, and the correlation between the variables shows that there is a mix of both positive and negative correlation among the dependent and independent variables. There exists positive significant 2.4% correlation between TQ and CR, respectively, indicating that the higher the TQ, the higher the CR. Furthermore, it is notable from the analysis that all the associations between and within the variables of studies are weak, thus signifying the absence of possible multicollinearity.

Diagnostic Test (Multicollinearity Test (VIF))

To ensure the rigidity of the measurements, multicollinearity tests were performed, using the Variance Inflation Factor (VIF) as the rigidity test. Multicollinearity occurs when one or more independent variables have a stronger influence on others, and this condition is a violation of the linear regression model, that so it may affect the validity of the outcome in any analysis.

Multicollinearity tests are performed to test whether there is a strong correlation between independent variables that may result in misleading results.

However, collinearity diagnostics tests were performed using the variance inflation factor (VIF) to further confirm the absence of a multicollinearity problem between independent mutations. The results of the collinearity diagnostic test are presented in Table 4.3 below:

***Decision rule:** Medium VIF less than 10 indicates the absence of multi-collinearity, while VIF intermediate over 10 is a sign of multi-collinearity.

Before moderation

Table 4.3: Multicollinearity Test (VIF) Table

Variance Inflation Factors			
Date: 12/04/25 Time: 01:40			
Sample: 2013 2024			
Included observations: 840			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.007723	11.88437	NA
CR	6.392105	1.035146	1.003383
QR	2.412305	1.195909	1.008303
FSZ	9.323105	4.725557	1.007746

E-View 13 Output (2025)

After moderation

Variance Inflation Factors			
Date: 12/04/25 Time: 22:45			
Sample: 2013 2024			
Included observations: 840			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.000197	2.978372	NA
CR_DPOR	3.072107	1.209521	1.062489
QR_DPOR	2.287007	1.906600	1.229721
FSZ_DPOR	1.013205	3.831075	1.297359

E-View 13 Output (2025)

As noted above, the law of multicollinearity test rule uses a variance inflation factor that VIF Medium below 10 indicates a lack of multicollinearity, while VIF intermediate over 10 indicates the presence of multicollinearity. Table 4.3 above shows the absence of multicollinearity between independent variables, as all independent variables (CR, QR, and FSZ) have VIF centres less than 10. Table 4.3 above also shows the absence of multicollinearity after moderation

Heteroskedasticity Test

A heteroskedasticity test was performed as a diagnostic check to verify the robustness of the estimates. Heterogeneous variance occurs when the standard error of the variable being monitored is not constant over time. Heteroscedasticity violates linear regression modelling assumptions and can affect the validity of analytical results. On the other hand, heteroscedasticity does not cause any bias in the coefficient estimates, but it reduces the precision, and less precise coefficients are more likely to be estimated. The estimates are far from the correct population values that have been removed.

***Decision Rule: Accept the null hypothesis if the P-value is greater than 5% level of Significance, otherwise do not reject H_0**

Hypothesis

H_0 : The Error Variances are all Equal (Homoskedastic)

H_1 : The Error Variances are not Equal (Heteroskedasticity)

**Before moderation****Table 4.4 Heteroskedasticity Test**

Panel Cross-section Heteroskedasticity LR Test				
Equation: UNTITLED				
Specification: TQ C CR QR FSZ				
Null hypothesis: Residuals are homoscedastic				
	Value	df	Probability	
Likelihood ratio	583.1865	70	0.0000	
LR test summary:				
	Value	df		
Restricted LogL	31.42076	836		
Unrestricted LogL	323.0140	836		

E-View 13 Output (2025)**After moderation**

Panel Cross-section Heteroskedasticity LR Test				
Equation: UNTITLED				
Specification: TQ C CR_DPOR QR_DPOR FSZ_DPOR				
Null hypothesis: Residuals are homoscedastic				
	Value	Df	Probability	
Likelihood ratio	1293.388	70	0.0000	
LR test summary:				
	Value	Df		
Restricted LogL	1557.577	836		
Unrestricted LogL	2204.271	836		

E-View 13 Output (2025)

Table 4.4 shows the results of the panel cross-section Heteroskedasticity regression test. The null hypothesis of the test states that there is no Heteroskedasticity, while the alternative hypothesis states that there is Heteroskedasticity. The null hypothesis is not to be rejected if the P-value is greater than the 5% level of significance. From the result in Table 4.4 above, with a ratio value of 583.1865 and a corresponding probability value of 0.0000, and a value of 1293.388 with a p-value of 0.0000 which is less than 5%, the study therefore rejects the null hypothesis, showing that there is a Heteroskedasticity problem both before and after the introduction of the moderating variable. This problem was corrected by using PCSE robust standard errors to remove the presence of heteroskedasticity.

Hausman Test

The Hausmann specification test is a model specification test used in panel data analysis to select between fixed and random effects models. Because the datasets utilised in this investigation were panel, both fixed and random effects regressions were performed. A Hausmann specification test was then used to choose between the fixed-effects and random-effects regression models. This test determined if the error term was connected to the regressor. As a result, the decision rule for the Hausmann specification test is presented at a 5% level of significance:

H_0 : Random effect is more appropriate for the Panel Regression analysis

H_1 : Fixed effect is more appropriate for the Panel Regression analysis

***Decision Rule:** Reject H_0 if the cross-section random probability value is less than 5% level of Significance. Otherwise, do not reject H_0 .

Before moderation

Table 4.5: Hausman Specification Test

Correlated Random Effects - Hausman Test			
Equation: EQ01			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.848365	3	0.1192

E-View 13 Output (2025)

After moderation

Correlated Random Effects - Hausman Test		
Equation: Untitled		



Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		10.684363	3	0.1136

E-View 13 Output (2025)

The Result of the above Hausman test shows that the cross-section chi-square statistics value is 5.848365, while the probability value is 0.1192 and a value of 10.684363 with a p-value of 0.1136. This implies that there is enough evidence not to reject the null hypothesis, which states that the random effect is more appropriate for the Panel Regression analysis. Similarly, based on the Chi-Square (χ^2) results, $\text{Prob} > \chi^2$ is 0.1192, which is greater than 0.05; thus, there is no reason to reject the null hypothesis (H_0). The study therefore upholds that the Random Effect Model (Estimate) is the more appropriate model. Also, after moderation, the results show that the Random Effect Model (Estimate) is the more appropriate model.

Breusch-Pagan Lagranger Multiplier Test (Pooled and Random)

In panel data analysis, the Lagranger multiplier test is used to select between pooled and random effects models. Because the dataset was a panel, both pooled and random effects regression analyses were done. The optimum model among the pooled-effects and random-effects regression models was then determined using a Breusch-Pagan Lagrangian multiplier test. At a 5% significance level, the decision rule for the Breusch-Pagan Lagrangian multiplier test is provided:

H₀: Pooled OLS Model is more appropriate for the Panel Regression analysis

H₁: Random effect Model is more appropriate for the Panel Regression analysis

Decision Rule: if the p-value is less than 0.05, the decision rule is to reject H_0 . Otherwise, do not reject H_0 .

Before moderation

Table 4.6: Breusch-Pagan Langranger Multiplier Test

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided			
(all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both



Breusch-Pagan	1277.676	3.356909	1181.033
	(0.0000)	(0.0669)	(0.0000)

E-View 13 Output (2025)

After moderation

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided			
(all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1271.786	0.633343	1272.420
	(0.0000)	(0.0061)	(0.0000)

E-View 13 Output (2025)

Based on the probability value of the Breusch-Pagan Langranger Multiplier Test at a probability value of 0.0000, the null hypothesis is rejected, thus the random effect is more appropriate when compared to the pooled effect before and after the introduction of moderating variable.

Test of Research Hypotheses

In panel regression analysis, the ultimate goal is the estimation of the relationship between dependent and independent variables. The sign of the coefficients of independent variables indicates their relationship with the dependent variable, while the magnitude of the coefficients implies the responses of the dependent variables to the independent variables.

Decision Rule: If the PV is less than 5% or 0.05 (that is, if $PV < 0.05$), it implies that the regressor in question is statistically significant at 5% level; and if the PV is more than 5% or 0.05 (that is, if $PV > 0.05$), it is categorized as not significant at that level.



Direct Model

Table 4.7 Panel Regression Result (Using PCSE Robust Standard Error)

Dependent Variable: TQ				
Method: Panel EGLS (Cross-section random effects)				
Date: 07/21/26 Time: 23:36				
Sample: 2013 2024				
Periods included: 12				
Cross-sections included: 70				
Total panel (balanced) observations: 840				
Swamy and Arora estimator of component variances				
Cross-section weights (PCSE) standard errors & covariance (d.f.				
corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
	t			
C	0.238898	0.121164	1.971699	0.0490
CR	0.004970	0.009103	0.545996	0.5852
QR	-0.001200	0.003085	-0.389157	0.6973
FSZ	-0.004986	0.015764	-0.316293	0.7519
	Effects Specification			
			S.D.	Rho
Cross-section random			0.169647	0.5225
Idiosyncratic random			0.162168	0.4775
	Weighted Statistics			
R-squared	0.750671	Mean dependent var		0.062207



Adjusted R-squared	0.722915	S.D. dependent var	0.162207
S.E. of regression	0.162444	Sum squared resid	22.06033
F-statistic	0.187070	Durbin-Watson stat	1.809935
Prob(F-statistic)	0.000219		

E-View 13 Output (2026)

The above table shows the panel regression analysis results before the introduction of the dividend policy as a moderating variable. The result shows that before the introduction of dividend policy as a moderating variable, current ratio and quick ratio have an insignificant effect on Tobin's Q of listed non-financial firms in Nigeria.

After moderation

Dependent Variable: TQ				
Method: Panel EGLS (Cross-section random effects)				
Date: 07/21/26 Time: 23:52				
Sample: 2013 2024				
Periods included: 12				
Cross-sections included: 70				
Total panel (balanced) observations: 840				
Swamy and Arora estimator of component variances				
Cross-section weights (PCSE) standard errors & covariance (d.f.				
corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.044437	0.009613	4.622784	0.0000
CR_DPOR	0.135960	0.001147	118.5731	0.0000
QR_DPOR	-0.000781	0.000192	-4.067811	0.0001
FSZ_DPOR	2.72E-05	5.07E-05	0.536684	0.5916



Effects Specification			
		S.D.	Rho
Cross-section random		0.027987	0.5470
Idiosyncratic random		0.025471	0.4530
Weighted Statistics			
R-squared	0.975018	Mean dependent var	0.059424
Adjusted R-squared	0.924928	S.D. dependent var	0.161599
S.E. of regression	0.025588	Sum squared resid	0.547359
F-statistic	10875.82	Durbin-Watson stat	1.857929
Prob(F-statistic)	0.000000		

E-View 13 Output (2026)

The above table shows the panel regression analysis results after the introduction of dividend policy as a moderating variable. The result shows that after the introduction of dividend policy as a moderating variable, current ratio and quick ratio have a significant effect on Tobin's Q of listed non-financial firms in Nigeria.

Research Hypotheses

H₀₁ Current Assets Ratio has no significant effect on Tobin's Q of listed non-financial firms in Nigeria when moderated by dividend policy.

The result, as shown in Table 4.7 above, shows that the current ratio has a coefficient value of 0.004970 and a probability value of 0.5852 ($p > 0.05$). This finding shows that the current ratio has a positive but insignificant effect on Tobin's Q of listed non-financial firms in Nigeria. However, when the current ratio is moderated with dividend payout, it gives a coefficient value of 0.135960 and a probability value of 0.0000 ($p < 0.05$). The coefficient and probability values indicate that the combination of current ratio and dividend payout has a positive and significant relationship with Tobin's Q of listed non-financial firms in Nigeria. This shows that the null hypothesis stated above should be rejected. Thus, based on this study period, dividend policy has a significant moderating effect on the relationship between current assets and Tobin's Q of listed non-financial firms in Nigeria.

H02: Quick Ratio has no significant effect on Tobin's Q of listed non-financial firms in Nigeria when moderated by dividend policy.

The second hypothesis shows that the Quick ratio has a coefficient value of -0.001200 and a probability value of 0.6972 ($p > 0.05$), which reveals a negative and insignificant relationship. However, when the quick ratio is moderated with dividend payout, it gives a coefficient value of -0.000781 and a probability value of 0.0001 ($p < 0.05$). The coefficient and probability values indicate that the combination of quick ratio and dividend payout has a significant relationship with Tobin's Q of listed non-financial firms in Nigeria. This evidence, therefore, leads to the acceptance of the alternate hypothesis and rejection of the null. The finding, therefore, means that dividend payout has a significant moderating effect on the relationship between the Quick ratio and Tobin's Q of listed non-financial firms in Nigeria.

DISCUSSION OF FINDINGS

This study examined the moderating effect of dividend policy on the relationship between current and quick assets on the firm value of listed non-financial firms in Nigeria. The study revealed that the current assets have an insignificant effect on Tobin's Q; however, when the current assets was moderated by dividend payout, it had a significant effect on Tobin's Q, indicating that dividend policy moderates the relationship between current and assets and firm value during the reporting period. This aligns with the position of Nangih and Diepreye (2024) and Nur et al. (2023), while negating the finding of Mairafi et al. (2025). This study suggests that current ratio as a measured of current assets is associated with increase in firm value within the study period which can lead to increase in firm value, stability, and cash flow, and can also has positive impact on shareholders' returns, this study consider the moderating effect of dividend payout which shows a significant relationship, suggesting that dividend policy can be used to influence current assets without compromising firm value.

The second hypothesis also revealed that the quick ratio has a negative and insignificant relationship with Tobin's Q, indicating that Quick assets does not have a positive effect on Tobin's Q within the study period. However, when the quick ratio was moderated by dividend payout, it had a significant effect on Tobin's Q, indicating that dividend policy moderates the relationship between quick assets and firm value during the reporting period. This position is consistent with the findings of Widia (2021), while disagreeing with the findings of Almakura et al. (2024) and Nur et al. (2023). This study documented a significant relationship between the quick ratio and Tobin's Q, indicating that firms with a high quick ratio are likely to achieve a good firm value within the study period. Likewise, when moderated by dividend policy, the relationship was strengthened, indicating that larger firms with a high quick ratio are more likely to achieve a good firm value.

CONCLUSION AND RECOMMENDATIONS

This study investigates the moderating effect of dividend policy on the relationship between current assets and quick asset ratio on the firm value of listed non-financial firms in Nigeria. Based on the study findings reached through the study objectives guided by the study hypotheses, the study concludes thus: the current ratio and quick ratio have an insignificant effect on the firm value of listed non-financial firms; however, when moderated by dividend policy, current ratio and quick ratio have a significant effect on firm value. Based on the findings of this study, the following recommendations are made for effective management of the listed non-financial firms on the Nigerian Exchange Group; Based on the findings of this study, here are two actionable recommendations:

- The management of non-financial firms should focus on optimising their current ratio to enhance firm value while also considering the moderating effect of dividend policy, and should also continue to prioritise strategies that improve current ratio, such as efficient asset utilisation.

- Management of Non-financial companies should prioritise strategies that improve the quick ratio, such as efficient asset utilisation with adequate inventory management, and carefully consider their dividend decisions to maximise value creation.

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