



**EFFECT OF CONOIL PLC'S LIQUIDITY ON ITS PROFITABILITY: EVIDENCE FROM NIGERIA**

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**Abstract**

*The economy of Nigeria has had periods of recession, thus exposing indigenous firms, specifically the oil sector and gas sector, to liquidity and profitability problems. The objective of this research is to analyze the impact of liquidity on the profitability of Conoil Plc, Nigeria. The research design adopted was causal-comparative and utilized secondary financial data for the period covering 2010-2024. The applicable analyses comprised descriptive and inferential statistics, for which Ordinary Least Squares (OLS) regression analysis was conducted via E-Views 9. The findings indicate that at 5% significance level, current ratio (beta 0.0749 & p-value 0.2314), cash ratio (beta 0.0798 & p-value 0.0513), and quick ratio (beta 0.0498 & p-value 0.5341) which are measures of liquidity have a positive but statistically insignificant effect on return on assets (ROA) which is a measure of profitability. This indicates that efforts at better management of liquidity can only serve to substantially enhance the company's overall financial performance. Furthermore, with F-statistic (value 2.8484 & p-value .0975) as the basis of conclusion, it is concluded that Conoil Plc's liquidity has no significant effect on its profitability. Therefore, based on the discussed findings, it is recommended that the company should look for other key drivers of ROA aside from the current ratio, hold cash in an effective way, without holding too much idle cash, focus on the quality of liquid assets and their utilization and lastly, consider broader factors for its optimal balance, not necessarily reliant on the individual ratios used in this study.*

**Keywords:** liquidity, profitability, quick ratio, return on assets, current ratio, cash ratio

**JEL Codes:** G32, M41, L25, E40, C22

**INTRODUCTION**

Oil and gas are a primary factor in the world economy, especially in countries like Nigeria that are resource-rich. Conoil Plc plays a major role as one of the indigenous oil marketers in Nigeria's oil and gas industry. This company holds a significant place in the financial health not only of the shareholders but also of economic stability and growth in the entire country (Mukhtar & Abubakar, 2019; Umoh, 2024). Set within Nigeria with complex business external environments and petroleum environment, Conoil Plc cannot escape the problem of maintaining an optimal balance between liquidity and profitability. Profit maximization, driven by shareholder wealth maximization, is a primary business objective (Umobong, 2015). Therefore, profitability stands as a cornerstone for the long-term sustainability of any business. It fuels growth, attracts investment, and ensures the capacity to weather economic uncertainties

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(Umobong, 2015). For Conoil Plc, operating within Nigeria's dynamic and competitive petroleum environment, achieving consistent profitability is paramount for its continued viability and contribution to the national economy.

Effective management of liquidity is essential for achieving profitability but is quite challenging in the current environment characterized by limited access to credit due to increased non-performing loans and high-interest rates (Majakusi, 2016; Abdi & Kavale, 2016; Edem, 2017). Even more pertinent is the period of global financial disruption during which liquidity and its management take center stage (Alhassan & Islam, 2021). The ease of converting assets to a usable cash balance with less or zero loss of value is known as liquidity (Salim and Bilal, 2016).

Liquidity management becomes crucial for gasoline and oil enterprises (Ismail et al., 2019). They must cover extremely short-term operations and long-run commitments as well as costs of financing (Qasim Saleem & Ramiz ur Rahman, 2011). Entity's liquidity managing proxies (current, quick, liquid) are employed in profitability to measure the company's ability to meet monetary commitments through matching near-cash and the cash balance together with liabilities (Qasim Saleem & Ramiz ur Rahman, 2011). They also have an impact on profitability and operational processes (Ismail et al., 2019). A negative sign correlation (trade-off) exists amid profitability and liquidity (Sunny Obilor Ibe, 2013; Qasim Saleem & Ramiz ur Rahman, 2011). Resilience has been observed in the oil and gas companies despite some tough macroeconomic environments (Ahmed, 2016). Increasing attention is now given to the concept of liquidity management globally (Alhassan & Islam, 2021). As only two things majored in ensuring smooth and sustainable profits were not overemphasized, considering the current economic situations prevailing in many nations (Alhassan & Islam, 2021). One core principle for business (Conoil) survival is maintaining a sufficient degree of liquidity with profitability flow at such a level that the growth can be realized from it for wealth creation (Almakura et al., 2024).

Liquidity management will secure long-term profits and prevent a company from going bankrupt, especially in these times when availing credit from financial institutions has now become more difficult, as a consequence of rising loans not performing and high interest on loans (Owolabi & Obida, 2020; Alhassan & Islam, 2021). They are concerned with the strategies regarding the business's daily businesses, to which the employee meets its obligations and maximizes profitability and shareholder wealth (Owolabi & Obida, 2020). Such businesses should effectively manage the liquidity-profitability trade-off to remain sustainable (Almakura et al., 2024). Conoil Plc is a major player in the Nigerian downstream petroleum industry, and the company has constantly faced the challenge of establishing equality of profitability and liquidity sufficiency (Umoh, 2024). As a result, for long-term performance, it is crucial to know the optimal liquidity position for Conoil Plc within the particular context (Almakura et al., 2024). According to Dadebo and Afolabi (2020), an optimal balance will take the longer-term performance. However, finding the optimum liquidity level by industry is always a moving target (Almakura et al., 2024). Practically, liquidity has been found to affect profitability by studies such as Alhassan and Islam's (2021), Agubata's (2021), and Vilcu (2019). Therefore, this study tends to examine the effect of Conoil plc's liquidity on its profitability in order to recommend actions for maintaining an optimal balance between liquidity and profitability especially in the Conoil Plc's context.

### **Statement of Problem**

The economy of Nigeria has had periods of recession, thus exposing indigenous firms, specifically the oil sector and gas sector, to liquidity and profitability problems (Kung'u, 2017). Also, the growing non-performing loans have made banks more reluctant to extend credit; hence, effective liquidity management becomes paramount for businesses to meet obligations and be profitable (Alhassan & Islam, 2021). In the highly dynamic and volatile petroleum market, efficient financial management is a requirement for continuous success. The ability to raise profit (profitability), as determined by the Return on Assets (ROA), becomes the prime objective and also underpins the liquidity position of the company (Mukhtar & Abubakar, 2019; Umoh, 2024). Therefore, the best decision that would be optimal on the level of liquidity is a decision for the management of Conoil. While one's general understanding of financial management would suggest that liquidity was important, how different liquidity ratios would associate with profitability within the particular context of Conoil was still unknown. Therefore, this study is motivated by the need to address the stated research problem through an examination of the association of the two, liquidity and profitability of the Conoil Plc. Furthermore, the effect of each liquidity measure on profitability will be ascertained by testing the following hypotheses:

- i. H<sub>01</sub>: Conoil Plc's current ratio has no statistically significant effect on its profitability.
- ii. H<sub>02</sub>: Conoil Plc's cash ratio has no statistically significant effect on its profitability.
- iii. H<sub>03</sub>: Conoil Plc's quick ratio has no statistically significant effect on its profitability.
- iv. H<sub>04</sub>: Conoil Plc's liquidity (current ratio, cash ratio, and quick ratio) has no statistically significant effect on its profitability.

## **LITERATURE REVIEW**

### **Concept of Liquidity**

Liquidity, unlike leverage, is essential in quantifying a firm's quantifiable result (performance) and is a relevant tool for managing its assets. It determines how fast cash is received from a firm's assets. Being a core in determining an entity's success, liquidity indicates if the business can continue to operate in the short term without suffering large losses (McGowan, Billah & Jakob, 2015). When subtracting current liabilities, liquidity refers to whether current assets are treated as cash or if they may be converted into cash (Dahiyat, 2016). In essence, liquidity is a measure of the amount of cash on hand that may be used immediately to invest or pay off obligations, as well as the speed at which a monetary asset (security) can be turned to usable cash with no substantial losses (Hussain, 2020). Liquidity should neither be too much nor too small. Excess liquidity just accumulates unwanted cash, which does not earn a return. Unsatisfactory liquidity, on the other hand, disrupts the trading process of the firm, which affects its profitability and creditworthiness (Ehiedu, 2014; Alhassan & Anwarul Islam, 2021).

### **Current Ratio**

This reflects a firm's ability to use current assets to fulfill liabilities of a short-term nature. To arrive at this ratio, assets of a current nature compared to liabilities of a current nature are studied; depending on the situation, one may, however, make the inference that a good benchmark is absolute liquidity at 200 percent or 2:1 (i.e., a fair liquidity level for a company). In essence, the short-term debt is being compared against the current asset wealth, showing how many times the current assets can recoup the short-term liabilities (Christianto & Munir, 2022). The current ratio creates a relationship between assets and liabilities of a current nature and ascertains the company's obligations of a short-term nature. This situation presents the condition of short-term solvency of the firm. The firm's ability to satisfy its short-term obligations is positively correlated with its current ratio. If it's low, it indicates a poor liquidity position (Arif, 2015).

### **Cash Ratio**

This is a liquidity measurement that assesses whether a company can meet its obligations that are short in time completely from cash and equivalents of cash. It excellently indicates a company's short-term obligations repayment ability with cash or equivalents of cash such as securities with marketable attributes, and creditors pay close attention to this metric before the amount to lend to distressed companies is decided. Creditors looking to test a company's ability to pay off debt may not be comfortable with the existing assets (such as inventory and receivables) availability. This is so because some time is required for selling inventory and collecting on receivables, whereas cash will always be available to creditors (Almakura et al., 2024). Furthermore, the enterprise cash ratio expresses the amount of cash kept at hand to pay for liabilities of a current nature (Agubata, 2021). A cash ratio greater than 1 generally shows good cash standing for the firm. However, it may also imply that the company is failing to utilize its resources properly at the very least or is failing to engage in worthwhile growth projects (Almakura et al., 2024). In conclusion, ultimately, a fundamental determinant of the liquidity and financial health of a company is the cash ratio, giving insights to both investors and creditors at large (Agubata et al., 2021; Almakura, 2024).

### **Quick Ratio**

The quick ratio is the ratio of assets excluding inventories to liabilities of current nature. It represents the short-term liabilities payment ability of a company without depending wholly on inventory sales. An organization has a strong liquidity position if its quick current ratio is more than 1. This ratio may be calculated by deducting the entire inventory value from the aggregate current assets value and spreading that amount over the current liabilities (Arif, 2015; Almakura et al., 2024). When assessing a company's state of liquidity, this proxy is crucial since it shows if enough resources capable of being swiftly transformed to usable cash so as to cover short-duration commitments are available (Durrah, 2016; Warrad, 2014).

### **Concept and Scope of Profitability**

The company's measure of its ability to make a profit through optimal use of the company's resources is what profitability connotes. It is also termed the earning capacity of any investment and would serve as the yardstick to measure the operational efficiency and performance of the company. Higher profitability value symbolizes efficient performance, while a lower value indicates inefficiency (Arif, 2015). To gauge a firm's performance, different types of profit-measuring ratios exist. They include measures such as profit from initial outlay, return on business assets, return on owners' equity, and contributions from sales, net profit percent, and gross profit percent. Investors apply them in collaboration with investment performance ratios to make sound decisions. An assertion by Ebimobowei, Uche, and Young-Arney (2021) is that the business capacity to transform a profit from sales activities, cash flow, capital, staff size, etc., is measured by profitability ratios.

### **Profitability: ROA**

ROA (return on assets) is an essential quantitative ratio that expresses success in profit generation and is used during the financial statement analysis. It denotes the company's effort on changing assets into net income, thus explaining how efficiently the management can utilize its assets to earn a profit. ROA teaches us whether the company was able to earn profit in the past and could continue doing so in the future. The measure shows how an industry can generate income through the management of its assets; in other words, this ratio indicates future profitability (Wijaya, 2019). It also gives insight into the company's asset management practices. Where the structure and size of the seeming assets fit the peculiar nature of the

company's activities and are customizable, then higher total asset returns are possible (Rutkowska-Ziarko, 2015). This customizability and adaptability guarantee that the company's resources are effectively employed, thereby yielding maximum returns.

### **Theoretical Framework**

This research is rooted in the theory of a trade-off correlation between liquidity and profitability. Thus, a company's profit-making ability (profitability) is subject to the company's liquidity, meaning that an inverse trade-off exists between the two. Yusuf et al. (2019) noted that the theory's essential principle is such that business entities evaluate the degree (extent) of their ultimate cost relevance and the end gains from holding cash in order to identify the ideal quantity of cash (Almakura et al., 2024). This means that firms must carefully assess the opportunity cost of maintaining liquid assets against possible gains from keeping them for financial strength and profitability (Almakura et al., 2024). Broadly speaking, the trade-off is an inverse relationship between two competing variables. Hence, the liquidity-profitability trade-off describes an inverse or downward slope relationship between liquidity and profit-making ability, meaning a rising liquidity shall trigger a falling profitability and vice versa. This is basically because higher liquidity levels mean more investments are being held back from higher profits. It also means that any large cash or liquid reserves come with an opportunity cost in terms of the profits sacrificed from not investing those assets in profitable alternatives. Therefore, a trade-off means firms have to consider the costs of maintaining liquid assets against potential revenue from investing those assets in higher-yielding activities. In order to attain the right balance, corporate firms measure the importance of their final costs and benefits from maintaining liquidity (Almakura et al., 2024). The research topic fits into this theory as it examines how Conoil Plc manages this trade-off to ensure financial stability and profitability. From the perspective of this theory, where Conoil Plc would be said to be influenced by profitability due to the liquidity decisions made by the company, it also implements a sort of liquidity management decision that seeks an optimum trade-off between sufficient liquidity for meeting obligations and investing in high-profit assets.

### **Empirical Review**

Alhassan and Islam's (2021) study examined the connection between liquidity and profitability as well as how liquidity affects profitability for ten oil and gas businesses that were listed between 2011 and 2020 on the Nigerian stock exchange through a fixed panel regression study. For the findings, it was shown that debt affects profitability negatively and significantly, whereas equity capital and retained earnings are beneficial.

Managing liquidity and the success of Nigerian natural resource businesses between 2013 and 2020 were examined in Agubata's (2021) research, adopting correlation and regression estimation techniques. Found in this study is the advent of a positive relationship between the payback period of trade payables, the collection period of trade receivables, the period of holding inventory, and ROA, while between ROA and the conversion cycle of cash, a trade-off (negative association) existed.

Ebimobowei, Uche, and Young-Arney (2021) examined the power of liquidity and profit-making ratios on the growth of profit among listed Nigerian crude oil and gas corporations from the year 2014 to 2019. This design was ex post facto and correlational. Current (working capital) ratio, acid or quick test ratio, ratio of total profit, net working capital, net profit, ROA, ROE, and ROCE were positively and significantly affecting profit growth.

Using multiple linear regression, the linkage between profitability, activity, leverage, and liquidity in fifteen Indonesian gasoline and oil businesses between 2018 and 2021 was investigated by Christianto and Munir (2022). As indicated in the study, the current ratio had a negative and insignificant effect, the ratio of debt-to-asset had an insignificant but positive effect on ROA, and fixed asset turnover had a positive significant effect on ROA.

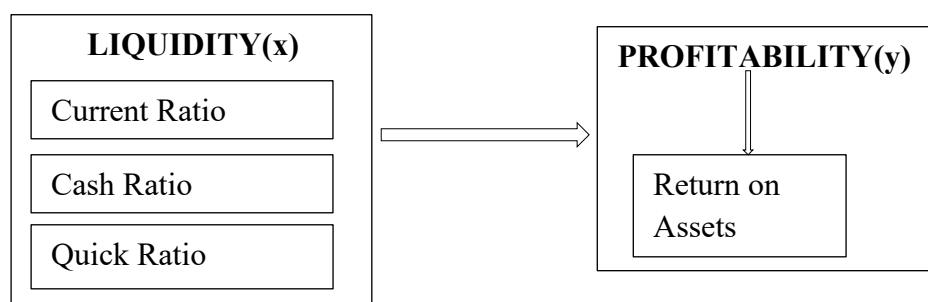
Almakura et al. (2024) used regression analysis and ex-post facto research to evaluate how accounting performance in the gasoline and oil industry in Nigeria, is affected by management of its liquidity from 2012 to 2021. A revelation from the study is that both current and cash ratio had an adverse but significant influence on ROCE while the quick ratio was found to be insignificant.

Sama'ila et al. (2024), in their examination of consumer goods firms that are listed in Nigeria, arrived at a conclusion stating that debt ratio and current ratio have a positive effect on return on assets. The association was adversely moderated by the firm size. It was recommended that debt management should be managed prudently and an ideal current ratio maintained. Eyamu et al. (2025), in their study identified that cash flow ratios significantly affect return on assets, while liquidity had minimal positive effect on organizational performance. The study named cash flow and liquidity as the basic drivers of financial performance and recommended that capital allocation should be made a priority, allocation of assets should be streamlined, and development and research tasks should be embarked on.

Ur Rehman and Uz Zaman (2025) illustrated that effective liquidity management is required for oil and gas firms to meet their financial liabilities and achieve profitability. It analyzed outstanding days sales (ODS), outstanding days payable (ODP), and days inventory outstanding (DIO) measures and recommended efficient process management.

### Conceptual Framework

Since profitability is influenced by liquidity, as explained earlier, the theoretical framework for this research further birthed a conceptual framework that governs or dictates the key concepts and the relationship between the concepts to be discussed. Figure 1 below is the research conceptual framework:



**Figure1:** Research Conceptual Framework/Frame of Mind

Figure 1 implies that profitability is affected by liquidity. As shown in figure 1, liquidity (represented by liquidity ratios x's) points a forward arrow towards the direction of profitability, which is represented by y. This means that liquidity is a factor affecting profitability. This diagram (figure 1), therefore, represents a summary of what the liquidity-profitability trade-off theory is talking about.

### Gap Identified in Empirical Review

From the empirical review, it was revealed that the relationships between liquidity and profitability for oil and gas firms in various countries have been explored by different studies, such as Alhassan and Islam's (2021) and Mohammed, Puat, Amirrudin, and Hashim (2020). Some studies such as Vilcu (2019) and Almakura et al. (2024) reported a significant negative influence of liquidity on profitability; however, other studies reported the influence of individual liquidity ratios. There is no study, however, focusing on liquidity obtaining an effect on the profitability of Conoil Plc, as perhaps an oil and gas company from Nigeria. Conversely, some studies such as Almakura et al. (2024) and Ebimobowei, Uche, and Young-Arney (2021) addressed Nigerian oil and gas firms, which predominantly covered multiple firms or industry-wide analyses but not an in-depth study of Conoil Plc exclusively, especially using data that fall within the time (2010-2024) the Nigeria economy experienced recession. That forms a gap in literature, hence the necessity of a study that specifically investigates how the liquidity of Conoil Plc affects its profitability in the period of recession. Therefore, this study contributes to the existing pool of knowledge with relevant findings and recommendations from the findings.

## METHODOLOGY

### Research Design

Causal-comparative research was used in this study to investigate the collaboration between the liquidity (x) and profitability (y) of Conoil Plc with respect to available financial data covering 2010 to 2024 from annual reports. Analyzing data for the years between 2010 and 2024 is most appropriate since this period consists of two major Nigerian recessions (2016 and 2020), which wrought havoc upon profit determinants and liquidity scales in the oil and gas sector, thereby providing a solid background for the analysis of their interrelationship at Conoil Plc. E-Views 9 software was used to analyze the data for both descriptive and inferential statistics; while descriptive statistics characterized the data, Ordinary Least Squares (OLS) regression is used to investigate the effect of liquidity on profitability.

### Variable Measurement

Important variables are Return on Assets (profitability proxy) and liquidity ratios (current, cash, and quick), with the requisite formulas as applied in previous research.

### Model Specification

The regression model related to the study is specified as:  $Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e$ , where Y is Return on Assets (ROA), "a" is the intercept,  $x_1$ ,  $x_2$ , and  $x_3$  are current, cash and quick ratios respectively,  $b_1$ ,  $b_2$  and  $b_3$  are the regression coefficients, and "e" is the error term. This model was adapted from Ismail, Mohamad, and Ramli (2019).

## RESULTS AND DISCUSSIONS

### Descriptive Statistics

Table 1: Descriptive statistics of the data analyzed

	ROA	CASH RATIO	CURRENT RATIO	QUICK RATIO
Mean	0.044361	0.307033	1.325276	1.158524
Median	0.033256	0.189948	1.302573	1.126604
Maximum	0.101236	0.839459	1.582027	1.419674
Minimum	0.008604	0.000000	0.899700	1.017382
Std. Dev.	0.029023	0.244735	0.187484	0.108656
Skewness	0.878789	0.616821	-0.399981	0.982283
Kurtosis	2.684470	2.478468	2.863735	3.353287

Jarque-Bera	1.992901	1.121169	0.411567	2.490208
Probability	0.369188	0.570875	0.814009	0.287911
Sum	0.665417	4.605500	19.87914	17.37786
Sum Sq. Dev.	0.011793	0.838532	0.492101	0.165287
Observations	15	15	15	15

**Source:** *Author's computation using E-Views 9, 2025*

As shown in Table 1, the summary statistics of ROA, CASH\_RATIO, CURRENT\_RATIO, and QUICK\_RATIO yield important insights into these variables. The mean values reflect the average levels of these variables, with ROA being 0.044361 and the remainder differing in terms of liquidity measures. Close to these means, the median values point towards a symmetric distribution of most of the variables. The range (maximum - minimum) reflects the extent of variability, with CASH\_RATIO being very dispersed (maximum 0.839459, minimum 0.000000). The positive skew peaks of the ROA, CASH\_RATIO, and QUICK\_RATIO and the negative skew of CURRENT\_RATIO further tell us that distributions are quite asymmetric. Kurtosis values near 3 indicate distributions close to normality. This causes us to accept the null hypothesis of the Jarque-Bera test, as the probability values are all above 0.05. Hence, these variables are said to be following the normal distribution.

Finally, standard deviations indicate variability for each variable, whereas the sums and the sum of squared deviations measure the total as well as the ratio-scaled totals. These variables assume significance in discussing the distribution and variability of data.

### Stationary/Stability Test

Table 2: Summary of the Unit Root Test of Variables Stationary/Stability

Variable	Statistic	(p-value)	Differencing
ROA	-4.502124	0.0063	D(ROA,2)
QUICK_RATIO	-5.103807	0.0021	D(QUICK_RATIO,2)
CURRENT_RATIO	-3.658249	0.0257	D(CURRENT_RATIO,2)
CASH_RATIO	-4.750104	0.0044	D(CASH_RATIO,2)

**Source:** *Author's computation, using E-Views 9, 2025*

The unit root test results in Table 2 indicate that those variables are stationary. The null hypothesis concerning non-stationarity is rejected for each variable since the p-value is below 0.05 or 5%. This is a revelation that all the variables (ROA, QUICK, CURRENT, and CASH\_RATIO) are stationary at the second difference (D(Variable,2)). In effect, data from differencing twice becomes stable over time and is hence available for further econometric analysis. According to these results, it can be said that all trends or unit roots were removed, ensuring that the outcome from regression models was not biased.

### Variance Inflation Factor (VIF) Analysis

Table 3: VIF Analysis Result

Date: 03/12/25 Time: 18:30			
Sample: 2010 2024			
Included observations: 13			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	7.35E-05	1.038258	NA
DCAS	0.001262	1.064796	1.058989
DQR	0.005921	1.270215	1.240841
DCURR	0.003412	1.246432	1.222804

**Source:** *Author's computation, using E-Views 9, 2025*

In regression modeling, the Variance Inflation Factor (VIF) is utilized for checking multicollinearity, and no serious multicollinearity occurs when the VIF is below 10; multicollinearity is seen as being low when the VIF lies between 1 and 5. A value almost equal to one indicates very slight multicollinearity. In Table 3, it can be seen that all centered VIF values are below 2. This implies that there is no significant multicollinearity among the independent variable groups, which means each variable describes different aspects of the model. The regression results are statistically reliable and valid.

### Ordinary Least Square

Table 4: Regression Details and Variable Information

Dependent Variable: ROA		Time: 20:26		
Method: Least Squares		Sample (adjusted): 2012 - 2024		
Date: 03/06/25		Included Observations: 13		
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.002537	0.008576	0.295863	0.7740
CASH_RATIO	0.079805	0.035521	2.246721	0.0513
QUICK_RATIO	0.049753	0.076951	0.646550	0.5341
CURRENT_RATIO	0.074974	0.058413	1.283517	0.2314

Source: *Author's computation, using E-Views 9, 2025*

Table 5: Regression Statistics and Additional Metrics

Statistic	Value	Metric	Value
R-squared	0.487036	Mean dependent var	0.001385
Adjusted R-squared	0.316047	S.D. dependent var	0.036694
S.E. of regression	0.030346	Akaike info criterion	-3.904624
Sum squared resid	0.008288	Schwarz criterion	-3.730794
Log likelihood	29.38006	Hannan-Quinn criterion.	-3.940354
F-statistic	2.848358		
Prob(F-statistic)	0.097518		
Durbin-Watson stat	2.466384		

Source: *Author's computation, using E-Views 9, 2025*

Table 4 shows the Ordinary Least Squares (OLS) regression results. The actual observation that was showing 13 (after adjustment) is a result of the 2 differencing that has been carried out on the dataset for stationarity to be achieved, hence 13 instead of 15 that was actually recorded.

### Restatement of Hypotheses

Regarding the information in Table 4, if the regression coefficient of an independent variable has a positive sign, then such an independent variable has a positive effect on the dependent variable and vice versa. Also, if the probability value (p-val) of an independent variable is greater than 5% or 0.05, the null hypothesis for that variable is accepted and vice versa.

Applying what was discussed in the restatement of hypotheses section, the following are the interpretations of results in Table 4:

- i. Hypothesis One: Current Ratio has a positive coefficient of 0.0749 with a p-value of 0.2314, meaning that it has a positive effect but is not statistically significant in determining ROA. Here, we accept  $H_{01}$ : Conoil Plc's current ratio has no statistically significant effect on its profitability.
- ii. Hypothesis Two: Cash Ratio has a positive coefficient of 0.0798 and a p-value of 0.0513, indicating that it has a positive effect on ROA, but the effect is statistically not

- significant, leading to the acceptance of the hypothesis that H<sub>02</sub>: Conoil Plc's cash ratio has no statistically significant effect on its profitability.
- iii. Hypothesis Three: The Quick Ratio has a positive coefficient of 0.0498 with a p-value of 0.5341, indicating that it has a positive effect on ROA, but the effect is statistically not significant, leading to the acceptance of the hypothesis that H<sub>03</sub>: Conoil Plc's quick ratio has no statistically significant effect on its profitability.
  - iv. Hypothesis Four (Overall Model Significance): As shown in Table 5, the F-statistic is 2.8484, and the p-value is .0975; thus, the overall model is not statistically significant at the 5% level, indicating that the independent variables as a pool do not strongly account for variations in ROA. Therefore, we accept H<sub>04</sub>: Conoil Plc's liquidity (current ratio, cash ratio, and quick ratio) has no significant effect on its profitability (ROA).

### Discussion of Findings

With the p-value of 0.2314 for the current ratio, we cannot reject the null hypothesis of no effect on Conoil Plc's profitability. Its positive coefficient value of 0.0749 indicates a possible increase of 7.49% in the ROA with each unit increase in the current ratio, albeit statistically insignificant. Thus, this is against Ebimobowei et al. (2021), who found the current ratio to have a significantly positive effect on profitability. For Conoil Plc, a higher current ratio does not necessarily translate to increased profitability. To achieve a balance between liquidity and profitability, the company should look for other key drivers of ROA aside from current ratio. Similarly, the cash ratio (p-value 0.0513) has no statistical influence on profitability, though it has a positive coefficient of 0.0798 (potential 7.98% ROA increase for a unit increase in cash ratio). This is not consistent with the finding from Almakura et al. (2024), which conducted a negative sign influence of liquidity proxies on the measured ROCE. For Conoil Plc, more cash holdings do not necessarily ensure, statistically, more profitability. Therefore, in order to achieve the optimal trade-off between liquidity and profitability, Conoil Plc should hold cash in an effective way, without holding too much idle cash.

The quick ratio (p-value 0.5341) also does not significantly affect profitability despite the positive coefficient of 0.0498 (potential 4.98% ROA increase per unit increase). This is consistent with the findings of Almakura et al. (2024); they too found an insignificant quick ratio. For Conoil Plc, more liquid assets excluding inventories does not always translate to higher profitability. Therefore, an optimal balance in liquidity and profitability can be obtained by focusing on the quality of liquid assets and their utilization. In most cases, the model (p-value 0.0975) suggests no combined significant impact of these liquidity ratios on Conoil Plc's profitability, in favor of the liquidity-profitability trade-off theory. Conoil Plc has to consider a broader base of factors for its optimal balance, not necessarily reliant on these individual ratios.

### Regression Model Goodness of Fit

As contained in Table 5, the model, with an R-squared of 48.7% and an adjusted R-squared at 31.6%, said that other factors can modulate the influence of the predictor variable on ROA. The Durbin-Watson statistic of 2.4664 indicates no serious autocorrelation. Standard error at 0.0303 shows moderate residual spread. In fact, the Akaike (-3.9046) and the Schwarz (-3.7308) suggest an acceptable fit of the model with room for improvement. The model is good, but improvements are needed to get a better fit.

**Table 6:** Breusch-Pagan-Godfrey Heteroskedasticity Test

Statistic	Value	Prob.
F-statistic	0.951783	Prob. F(3,9) = 0.4560
Obs*R-squared	3.131037	Prob. Chi-Square(3) = 0.3719

Scaled explained SS	0.314820	Prob. Chi-Square(3) = 0.9572
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**Source: Author's computation, using E-Views 9, 2025**

In Table 6, the Breusch-Pagan-Godfrey test actually indicated no presence of heteroskedasticity in the data, at least not by the common standards (0.05) for the p-value of all the test statistics, such as the F-statistic, Obs\*R-squared, and Scaled explained SS. The data seems to be homoscedastic.

## CONCLUSION AND RECOMMENDATIONS

This study has thrown light on an important relationship between liquidity and profitability in Conoil Plc, a prominent entity in Nigeria's petroleum sector. The finding (as contained in the results and discussion section, including the discussion of findings subsection) shows that the current, cash, and quick ratios in their positive effects on ROA are statistically insignificant, showing the difficulty of liquidity management in playing its role toward profitability. These results again suggest the relevance of an optimal balance between liquidity and profitability in the enhancement of financial performance. This study agrees with some previous studies; however, it has also shown that there are contradictory results in different contexts, thus warranting studies specific to the sector for enhanced understanding of the area. Proper liquidity management might prove to be one of the keys to Conoil Plc's success in this turbulent industry in the years to come.

### Recommendations

Based on the discussed findings, it is recommended that to achieve optimal balance between liquidity and profitability, the company should:

- i. Look for other key drivers of ROA aside from the current ratio.
- ii. Hold cash in an effective way, without holding too much idle cash.
- iii. Focus on the quality of liquid assets and their utilization.
- iv. Consider a broader base of factors for its optimal balance, not necessarily reliant on the individual ratios used in this study.

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