



## **ENTERPRISE RISK MANAGEMENT AND CORPORATE LIQUIDITY OF FIRMS LISTED ON THE PREMIUM BOARD OF NIGERIA EXCHANGE**

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**ABSTRACT:** This study investigates the effect of enterprise risk management (ERM) practices on corporate liquidity of firms listed on the Premium Board of the Nigerian Exchange Group over the period 2015–2024. Employing a panel data design and a census sampling approach covering eight listed firms, the study integrates cross-sectional and time-series data to control for firm-specific heterogeneity and temporal variations. Secondary data were sourced from annual reports and the NGX factbook, with Net Cash Flow (NCF) as a proxy for corporate liquidity. Independent variables included Enterprise Risk Assessment (ERA), Enterprise Risk Control (ERC), Enterprise Risk Monitoring (ERM), and Enterprise Risk Transfer (ERT). Panel regression analysis using the Ordinary Least Squares (OLS) method was employed to examine the relationship between ERM components and liquidity. Findings reveal that ERA significantly and negatively affects liquidity, indicating that extensive risk assessment may temporarily tie up cash resources. Conversely, ERC positively and significantly enhances liquidity, highlighting the importance of operational risk mitigation in safeguarding cash flows. ERM and ERT showed positive but statistically insignificant effects, suggesting that their impact is more strategic and long-term. The model explained approximately 71% of the variation in corporate liquidity, demonstrating the strong explanatory power of ERM practices. The study concludes that effective ERM, particularly risk control, is critical for maintaining corporate liquidity and financial stability. It recommends that firms prioritize actionable risk control measures, balance risk assessment with operational efficiency, and integrate monitoring and risk transfer strategies as complementary long-term practices. Adopting a holistic ERM framework aligned with corporate financial objectives can enhance liquidity and shareholder value creation.

**Keywords:** Enterprise Risk Management, Corporate Liquidity, Quoted Firms, Premium Board, Nigeria Exchange Group

### **1. INTRODUCTION**

Corporate liquidity remains a central objective of working capital management, as it directly influences a firm's operational continuity, financial flexibility, and value maximization. Liquidity management primarily entails the effective administration of working capital components, including inventories, trade receivables, cash and cash equivalents, short-term marketable securities, and current liabilities (Pandey, 2010). The overarching goal of corporate liquidity control is not merely the maintenance

of solvency, but the enhancement of firm value through an optimal balance between risk and return. Decisions relating to inventory policies, for instance, require careful consideration of holding costs, expected returns, and associated risks, while investments in receivables largely driven by trade credit policies serve as strategic tools for sustaining or expanding sales volumes. However, such investments expose firms to credit risk and liquidity constraints arising from collection periods, credit standards, and enforcement mechanisms, all of which have

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implications for corporate value creation (Wofuru-Nyenke & Iwedi, 2023). In emerging economies such as Nigeria, corporate liquidity management is characterized by pronounced trade-offs between risk and return due to volatile macroeconomic conditions, constrained access to capital, and underdeveloped financial markets. Consequently, liquidity management has become a critical dimension of financial management, commonly assessed through working capital indicators and the cash conversion cycle. A firm's ability to simultaneously achieve adequate liquidity and stable financial performance through a diversified and balanced asset–liability structure plays a significant role in determining its solvency and long-term sustainability (Iwedi et al., 2020). Beyond accounting profitability, corporate survival increasingly depends on a firm's capacity to generate sustained positive cash flows from operating, investing, and financing activities, thereby ensuring flexibility in meeting short-term obligations, preserving competitive advantage, and enhancing shareholder value (Ross et al., 2019; Brigham & Ehrhardt, 2020).

Within this context, the Nigerian Exchange (NGX) Premium Board represents a unique institutional setting for examining corporate liquidity and risk management practices. The Premium Board is reserved for firms that satisfy the most stringent requirements relating to market capitalization, corporate governance, and liquidity standards. Eligible firms must meet a minimum market capitalization threshold of NGN 200 billion and attain at least a 70% score on the NGX Corporate Governance Rating System (CGRS). Companies listed on this board such as Access Holdings Plc, FBN Holdings Plc, United Bank for Africa Plc, Zenith Bank Plc, Dangote Cement Plc, Lafarge Africa Plc, MTN Nigeria Communications Plc, and Seplat Energy Plc are widely regarded as industry leaders that adhere to international best practices and attract global institutional investors. Despite their superior governance credentials, these firms remain exposed to diverse financial, operational, and strategic risks that can significantly influence liquidity outcomes. Managing risk has therefore become a fundamental concern for modern organizations operating in an increasingly complex and uncertain global environment. Risk management refers to

the systematic process through which organizations identify, analyze, evaluate, and respond to potential threats that may hinder the achievement of strategic objectives (Stanton, 2012). More broadly, risk management encompasses enterprise-wide processes that promote open communication of risk information, facilitate informed decision-making, and enable firms to anticipate uncertainties, evaluate trade-offs, and make resilient choices that safeguard long-term viability, even under conditions of extreme stress (COSO, 2017).

Enterprise Risk Management (ERM) has emerged as a dominant paradigm that addresses the limitations of traditional, silo-based risk management approaches by integrating risk considerations across the entire organization. ERM provides a holistic framework through which firms can align risk appetite with strategy, improve capital allocation efficiency, and enhance value preservation and creation (Ajibola, 2019). As a value-adding mechanism, ERM aims to improve organizational performance by offering a comprehensive overview of enterprise-wide risks, facilitating the development of contingency and recovery plans, and promoting continuous monitoring of operational activities. Early empirical and conceptual approaches to assessing ERM effectiveness employed diverse proxies, including the speed of organizational adaptation to change, risk appetite measures such as beta coefficients under the Capital Asset Pricing Model (CAPM), reductions in operational losses, disclosure of cross-enterprise risks, and improvements in capital deployment efficiency (Rao, 2007).

The ERM framework is designed to support the achievement of organizational objectives through interrelated components such as internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. The internal environment establishes the tone of the organization and provides the foundation upon which other ERM components are built, while objective setting ensures that strategic, operational, reporting, and compliance goals are aligned with the firm's risk appetite (Moeller, 2007). Event identification involves recognizing internal and external occurrences that may affect the attainment of objectives, whereas risk



assessment evaluates the likelihood and potential impact of such events. Risk response requires management to select appropriate strategies avoidance, reduction, sharing, or acceptance based on cost–benefit considerations. Control activities and continuous monitoring ensure that risk responses are effectively implemented and remain aligned with organizational goals over time (Kraus et al., 2012; Quon et al., 2012).

Although a growing body of empirical literature has examined the relationship between enterprise risk management and corporate outcomes, much of the existing evidence has concentrated on profitability and firm value rather than liquidity outcomes. For instance, Iwedi et al. (2020) investigated business risks, risk management practices, and their effects on shareholder value, while Onsongo et al. (2020) analyzed the impact of financial risk on the performance of firms listed on the Nairobi Securities Exchange. However, empirical studies that explicitly link enterprise risk management practices to corporate liquidity particularly within the context of highly regulated, governance-intensive markets such as the NGX Premium Board remain relatively scarce. Against this backdrop, the present study examines the effect of enterprise risk management on corporate liquidity of quoted firms listed on the Premium Board of the Nigerian Exchange Group, thereby contributing to the extant literature by extending ERM analysis beyond profitability metrics to liquidity outcomes in an emerging market setting.

## **2. LITERATURE REVIEW**

### **2.1 Conceptual Clarification**

#### **2.1.1 Enterprise Risk Management**

Enterprise Risk Management (ERM) is a holistic, organization-wide process through which firms identify, assess, respond to, and monitor risks that may affect the achievement of strategic objectives, while ensuring that risk exposure remains within the firm’s defined risk appetite (Moeller, 2007). ERM integrates risk considerations into strategy formulation and operational decision-making, thereby overcoming the limitations of traditional silo-based risk management approaches. It enables firms to recognize and prioritize critical risks, quantify their potential financial and strategic impacts, and

deploy appropriate control, transfer, or mitigation mechanisms to safeguard long-term value creation (Casualty Actuarial Society, 2003; 2019). Through continuous risk assessment, control, and monitoring, ERM enhances organizational resilience, improves capital allocation, and supports sustainable performance in uncertain business environments.

#### **2.1.2 Corporate Liquidity**

Corporate liquidity refers to a firm’s ability to meet its short-term financial obligations promptly and in full, without disrupting normal operations. Adequate liquidity ensures operational continuity and financial stability, whereas excessive liquidity may result in idle resources and opportunity costs, while insufficient liquidity increases the risk of financial distress and insolvency (Vieira, 2010). Liquidity is closely linked to firm performance and survival, as it reflects the availability of readily convertible assets to support ongoing activities. It is commonly measured using indicators such as net cash flow, current ratio, quick ratio, cash ratio, and changes in working capital (Gitman, 2003; Brealey et al., 2011). In particular, net cash flow captures the firm’s ability to generate sufficient internal funds to finance operations, service debt, and sustain growth, making it a critical proxy for corporate liquidity and financial health (Gyebi & Quain, 2013; Gheshlaghi et al., 2014).

### **2.2 Theoretical Foundation**

This study is anchored in Enterprise Risk Management (ERM) theory and the trade-off theory of liquidity, which jointly explain why firms proactively manage risk and liquidity in real-world, imperfect markets. Traditional finance suggests that in frictionless markets risk management does not affect firm value; however, empirical and theoretical research shows that market imperfections such as information asymmetry, agency conflicts, and financial distress costs make risk and liquidity management value relevant (Anton & Nucu, 2020). ERM provides a firm-wide framework that aligns managerial behavior with shareholder interests, integrating risk identification, assessment, response, and monitoring into strategic and operational processes. It reduces cash



flow volatility, mitigates unexpected liquidity shortfalls, and enhances financial resilience, particularly under uncertainty and macroeconomic shocks (Anton & Nucu, 2020). ERM's emphasis on coordinated risk oversight and governance supports stability in cash flows and working capital policies, thereby reinforcing liquidity buffers and preserving firm value.

Complementing this, the trade-off theory of liquidity posits that firms balance the benefits of holding liquid assets financial flexibility, reduced distress risk, and enhanced shock absorption against the opportunity costs of idle funds and lower returns on non-productive assets (Garcia-Teruel & Martinez-Solano, 2007; Le *et al.*, 2024). Recent empirical evidence highlights that optimal liquidity management supports operational continuity and cushions firms against external shocks, while excessive liquidity can dampen profitability and resource efficiency (Le *et al.*, 2024). Under this framework, firms optimize liquidity positions to maintain solvency without unnecessarily tying up capital, reflecting a conscious trade-off between risk mitigation and return maximization.

### **2.3 Empirical Review**

Dawud, et al., (2025) explored the concept of risk management integration for Nigerian firms regarding supply chain performance. The study proposed a significant relationship between enterprise risk management integration with firm resilience and the supply chain performance of different sector firms. Furthermore, the study also examined the mediating role of firm resilience between enterprise risk management integration and supply chain performance. Data from 572 responses from Nigerian firms were analyzed using AMOS V-26 and Applied Structural Equation Modeling (SEM) to evaluate the validity and reliability. The study's findings revealed that factors considering enterprise risk management significantly influence firm resilience and supply chain performance. Firm resilience partially mediates between enterprise risk management integration and supply chain performance. The study concludes that firm resilience helps to enhance supply chain performance through risk management strategies and contingent capabilities.

Florio and Brotto (2024) assessed the impact of Enterprise Risk Management (ERM) on an organization's performance and examines how knowledge management and technology adoption mediate this impact, along with the moderating effect of supply chain resilience based on the resource-based view and dynamic capabilities theory. Utilizing a questionnaire-based survey, data were collected from 297 respondents in Ho Chi Minh City, Binh Duong, and Dong Nai, Vietnam, by cluster random sampling. The data were statistically analyzed using the partial least squares method. The results indicated a positive effect of ERM on financial performance, while the association with non-financial performance lacked significance. Knowledge management and technology adoption fully mediated the positive impact of ERM on non-financial performance and partially mediated its relationship with financial performance. Furthermore, supply chain resilience strengthened the positive link between ERM and financial performance.

Junaidi and Hanggraeni (2024) investigated the impact of Enterprise Risk Management (ERM) disclosure on working capital efficiency, profitability, and firm value of non-financial public companies in Indonesia during the period 2017-2022. Additionally, it examines the moderating role of Environmental, Social, and Governance (ESG) disclosure on the relationship between ERM disclosure and these three variables. The research adopts a quantitative approach, utilizing secondary data from companies' annual reports. Working Capital Turnover (WCT) measures efficiency, profitability is assessed by Return on Assets (ROA), and firm value is evaluated using Tobin's Q ratio. ERM and ESG disclosures are assessed based on the COSO ERM 2017 framework and GRI Standards, respectively. The findings reveal that ERM disclosure has a significant positive impact on firm value but shows no significant effect on working capital efficiency and profitability. Furthermore, ESG disclosure positively moderates the relationship between ERM disclosure and firm value, highlighting the synergistic benefits of integrating robust ERM practices with comprehensive ESG disclosures.

Ososualpor and Okoro (2023) investigated the relationship between enterprise risk management and the firm value of



quoted banks in Sub-Saharan Africa using an ex-post facto research design. A sample of twenty-seven (27) commercial banks was obtained from three (3) regions of Sub-Saharan Africa (Nigeria, South Africa, and Kenya). The dependent variable is the firm value (Tobin's Q), while the independent variable is enterprise risk management (measured using enterprise risk management size, independence, and disclosures). Secondary data were obtained from the annual reports and accounts of the sampled banks in Sub-Saharan Africa from 2012-2021. Data obtained were analyzed using descriptive statistics, diagnostic statistics.

Maccarthy and Jibrin (2023) conducted a study on risk management and investors' valuation of deposit money banks in Nigeria. The researchers utilized secondary data and employed descriptive statistics and multiple linear regression analysis to analyze the data. The study, therefore, concluded that deposit money banks in Nigeria have high growth rates on loans and advances, with a corresponding high rate of non-performing loans by customers. Adeoye and Akinsunmi (2023) examined the relationship between risk management practices and the performance of manufacturing companies in Nigeria using a quantitative research design. The study employed a cross-sectional survey and analyzed secondary data from audited financial statements of prominent manufacturing entities over a 10-year period (2011-2021). The study focused on two key variables: risk management (measured by working capital and investment capital) and performance (measured by return on assets and return on capital employed). The findings revealed a strong positive relationship between the proxies of risk management, highlighting the importance of effectively managing working capital and investment capital. While the findings above studies are well established, the studies focused on the effect of enterprise risk management and corporate profitability while this study focused on enterprise risk management and corporate liquidity of quoted firms in Nigeria.

Sajid, et al., (2023) investigated the relationship between enterprise risk management (ERM) components and non-financial companies' financial performance (FP), which are listed at PSX, while exploring the corporate reputation

(CR) role as a mediation between ERM components and financial indicators performance. This study used a questionnaire survey, and 340 responses were collected from non-financial sector firms' board executives and top management. The PLS-SEM technique was employed for the data analysis using smart PLS 4.0 software. The results showed that ERM components significantly influence the corporate reputation. Further, corporate reputation positively and significantly mediates between ERM components and financial performance.

Olulu-Briggs (2022) examined credit risk measures and financial performance of quoted manufacturing firms (QMFs) in Nigeria for the period 2008-2020. Annual secondary data series was sourced from audited financial reports of 16 QMFs; making a total of 208 observations. The independent variables used to measure credit risk are default risk, operational risk and recovery risk while the dependent variable, return on asset, is a measure for financial performance. Unit root test was applied to test for stationarity of the variables, Hausman test for independency of the explanatory variables from random effects, and the Fixed Panel Ordinary Least Square (POLS) to test for the relationship between the variables, at the 5% level of significance. From the estimation, the panel unit root test show that all the variables are integrated at level. The Hausman test shows that the random effects are correlated with the explanatory elements. The Fixed POLS show that default and exposure risks are negative but statistically significant; while recovery risk shows negative and insignificant association with ROA.

Gideon and Comfort (2021) investigated risk management and financial performance of manufacturing firms. Specifically, the study analyzed liquidity risk and market risk effect on after tax profit of manufacturing establishment in Nigeria. The study employed panel data over the period spanning from 2010-2019 across 10 firms. Secondary data were gathered through the annual reports of the selected firms. Correlation analysis and panel-based estimation techniques were used. The outcome showed that liquidity risk positively and significantly affects profit after tax while market risk (measured by interest rate risk) negatively and insignificantly affect profit after tax of sampled firms quoted in Nigeria. This study concluded that



efficient and effective risk management will positively affect performance of quoted firms in Nigeria, most specially management of internal risk such as the liquidity risk. Hence, firms should build an internal control system flexible in nature to harness the benefit of internal risk management and also normalize the negative effect of external risk such as the interest rate on performance.

Alim, et al., (2021) examined the effect of Liquidity Risk Management on Financial Performance of Commercial Banks in Pakistan. The study tests the effect of liquidity risk management on the financial performance of commercial banks in Pakistan. In this study, the effect of liquidity risk management on financial performance is studied using panel data for Ordinary Least Square analysis. Financial data of all commercial banks operating in Pakistan during the period of study was taken from the year 2006 to 2019 using data archives of the State Bank of Pakistan website. It is concluded that higher liquidity increases banks' performance in commercial banks of Pakistan. The results are in line with several studies and available literature. This study can become a good reference for future policy decisions regarding the minimum liquidity requirements of banks in this region. This study can be further enhanced using a longer period of study and include more variables specific to the banking sector in Pakistan, like bank size, age of bank. Otekunrin, et al., (2021) adopted panel data technique to investigate the effect of enterprise risk management on the performance of listed manufacturing firms in Nigeria. Data were collected from the financial statements of thirty listed manufacturing companies over 2010 to 2018 and enterprise risk management was determined to have a significant impact on the performance of listed manufacturing firms in Nigeria.

Iwedi, et al., (2020) conducted a comprehensive study on business risks, risk management, and their effects on shareholder value. Using panel data from 48 non-financial firms, they employed the Random Effects estimation technique to analyze the impact of various types of risks on shareholder value, measured through dividends and earnings per share. The study found that increased business risk generally lowers both dividend per share (DPS) and earnings per share (EPS). This suggests that higher business risks can reduce the financial returns to

shareholders by affecting the firm's ability to generate and distribute profits. Further, the study reveals the effect of risk on shareholder value depends on the specific risk pattern and the type of value being considered. Different risks influence dividends and earnings in varied ways, highlighting the need for tailored risk management strategies. Contrary to business risks, financial risks were shown to have a positive impact on shareholder value, particularly on aspects not directly related to dividend payouts. This indicates that financial risks, when managed effectively, can lead to improved financial performance and higher shareholder value.

Onsongo, et al., (2020) explored the effect of financial risk on the performance of listed companies in Nairobi Securities Exchange (NSE). The study covered the period of 2013 to 2017 and was analyzed with panel regression technique. The study revealed that credit risk positively and insignificantly influence return on equity, liquidity risk negatively and significantly influence ROE while operational risk positively and insignificantly influence ROE. Altanashat et al. (2019) examined the impact of Enterprise Risk Management (ERM) on institutional performance of public shareholding companies in Jordan based on COSO (2004) ERM Integrated Framework. Questionnaire survey was adopted as the research methodology for this study, and a total of 313 questionnaires were successfully collected. The obtained data was analyzed by Structural Equation Modeling Tool (Smart-PLS), and based on the analysis, implementation of ERM was found to have a significant influence on institutional performance. From the finding's analysis, it was revealed that enterprise risk management framework had a role in improving the performance of extraction companies in Jordan. The analysis also highlighted that the increase of enterprise risk management framework implementation will increase the performance of the extraction companies in Jordan. Furthermore, all the independent variables (Internal Environment, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring) are significant predictors, except for objective setting.



### 3. Methodology

This study adopted a panel data design, which integrates cross-sectional and time-series observations, enabling the assessment of the effects of explanatory variables on the dependent variable over time. Panel data analysis combines theoretical considerations (a-priori criteria) with empirical observations, allowing maximum extraction of information from the available data and controlling for firm-specific heterogeneity and temporal variations (Baltagi, 2021). The population of the study comprised eight firms listed on the Premium Board of the Nigerian Exchange Group (NGX). Due to the manageable population size, a census sampling approach was adopted, incorporating all eight firms with complete financial data for the study period. The study covered ten years (2015–2024), providing sufficient temporal representation for panel regression analysis. Secondary data were collected from the annual reports of the sampled firms and the NGX factbook, which provides detailed financial and operational information on listed companies. The dependent variable, Net Cash Flow (NCF), was used as a

proxy for corporate liquidity, measured as the difference between cash inflows and outflows (Gyebi & Quain, 2013). The independent variables included Enterprise Risk Assessment (ERA), Enterprise Risk Monitoring (ERM), Enterprise Risk Control (ERC), and Enterprise Risk Transfer (ERT). The relationship between enterprise risk management components and corporate liquidity was estimated using panel regression analysis with the Ordinary Least Squares (OLS) method. The model is specified as follows:

$$NCFit = \alpha + \beta_1 ERAit + \beta_2 ERMit + \beta_3 ERCit + \beta_4 ERTit + \epsilon it$$

Where

NCFit represents net cash flow of firm i at time t,

$\alpha$  is the intercept,

$\beta_1$ – $\beta_4$  are the coefficients of the independent variables, and

$\epsilon it$  is the error term.

### 4. RESULTS AND DISCUSSION

**Table 1: Descriptive Statistic**

	NCF	ERA	ERC	ERM	ERT
Mean	-14.60130	8.358900	3.210900	5.512900	2.909600
Median	0.165000	4.860000	2.345000	4.685000	1.045000
Maximum	62.06000	28.85000	18.72000	14.68000	18.35000
Minimum	-581.6800	0.190000	0.010000	0.190000	0.020000
Std. Dev.	92.60635	8.240843	3.906662	3.330144	3.666723
Skewness	-5.085132	1.254401	1.873710	0.763253	1.916041
Kurtosis	28.38328	3.345901	6.884204	2.888431	6.534860
Jarque-Bera	3115.604	26.72392	121.3758	9.761105	113.2504
Probability	0.000000	0.000002	0.000000	0.007593	0.000000
Sum	-1460.130	835.8900	321.0900	551.2900	290.9600
Sum Sq. Dev.	849017.8	6723.238	1510.938	1097.896	1331.041
Observations	80	80	80	80	80

**Source:** E-view 10.0 Output

Table 1 presents the descriptive statistics of the dependent variable, Net Cash Flow (NCF), and the independent variables representing enterprise risk management components (ERA, ERC, ERM, ERT) for the sampled firms. The mean NCF is -14.60, indicating that, on average, firms experienced slightly negative net cash flows over the study period, although the median of 0.165

suggests that the distribution is skewed by extreme negative observations. The NCF series exhibits a high standard deviation (92.61) and extreme negative skewness (-5.085) with very high kurtosis (28.38), confirming the presence of significant outliers and a leptokurtic distribution. The Jarque-Bera test (3115.60,  $p < 0.001$ )



rejects normality, consistent with typical financial cash flow data.

For the ERM components, ERA (mean = 8.36), ERC (3.21), ERM (5.51), and ERT (2.91), the data show positive skewness (0.76–1.92) and varying degrees of leptokurtosis (2.89–6.88), indicating that risk management activities are generally low to moderate for most firms, but with occasional high values reflecting concentrated risk management efforts in certain firms. The Jarque-Bera test

statistics for all ERM variables are significant ( $p < 0.01$ ), confirming non-normal distributions. Overall, the descriptive statistics reveal substantial variation in both corporate liquidity and risk management practices across the sampled firms. The extreme values and non-normality observed, especially in NCF, justify the use of panel regression techniques and robust estimation methods to account for heteroskedasticity and non-normality in subsequent analyses.

**Table 2: Panel Unit Root Test**

Series	Method	Statistic	Prob.	Obs	Conclusion
D(NCF)	Levin, Lin & Chu t*	78.7460	0.0000	70	I(1)
	Im, Pesaran and Shin W-stat	-1.7659	0.0387	70	I(1)
	ADF - Fisher Chi-square	37.1989	0.0111	70	I(1)
	PP - Fisher Chi-square	92.9138	0.0000	80	I(1)
D(ERA)	Levin, Lin & Chu t*	-1.2077	0.1136	70	Non-stationary
	Im, Pesaran and Shin W-stat	-2.4221	0.0077	70	I(1)
	ADF - Fisher Chi-square	41.5158	0.0032	70	I(1)
	PP - Fisher Chi-square	131.113	0.0000	80	I(1)
ERC	Levin, Lin & Chu t*	-25.2975	0.0000	80	I(1)
	Im, Pesaran and Shin W-stat	-5.7609	0.0000	80	I(1)
	ADF - Fisher Chi-square	43.9091	0.0015	80	I(1)
	PP - Fisher Chi-square	48.9732	0.0003	90	I(1)
ERM	Levin, Lin & Chu t*	-40.0807	0.0000	70	I(1)
	Im, Pesaran and Shin W-stat	-7.6230	0.0000	70	I(1)
	ADF - Fisher Chi-square	45.1500	0.0011	70	I(1)
	PP - Fisher Chi-square	57.2084	0.0000	80	I(1)
ERT	Levin, Lin & Chu t*	-7.7283	0.0000	80	I(1)
	Im, Pesaran and Shin W-stat	-6.1925	0.0000	80	I(1)
	ADF - Fisher Chi-square	63.9467	0.0000	80	I(1)
	PP - Fisher Chi-square	60.3853	0.0000	90	I(1)

**Source:** E-view 10.0 Output

The results of the panel unit root tests (Table 2) indicate that all series become stationary after first differencing, confirming they are integrated of order one, I(1), with the exception of D(ERA), which shows mixed results across methods. For D(NCF), ERC, ERM, and ERT, all four tests Levin, Lin & Chu t\*, Im, Pesaran and Shin W-stat, ADF Fisher Chi-square, and PP Fisher Chi-square reject the null hypothesis of a unit root at the 5% significance level. This indicates that these variables are non-stationary at levels but stationary at first differences, satisfying the

prerequisites for panel regression analysis and mitigating spurious regression concerns.

The D(ERA) series shows a non-significant result under the Levin, Lin & Chu test ( $p = 0.1136$ ), suggesting non-stationarity at level. However, the other tests (Im, Pesaran and Shin W-stat, ADF, and PP) reject the null hypothesis, implying stationarity after differencing. This mixed outcome indicates the need for first differencing or transformation before inclusion in the panel regression model. Overall, the results confirm that the dependent



variable (NCF) and independent variables representing ERM components (ERA, ERM, ERC, ERT) are suitable for panel data analysis using the first-difference or

difference-based transformations. This ensures the robustness of subsequent regression estimates and validates the econometric approach adopted in this study.

**Table 3: Regression Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-16.55195	33.80830	-6.489582	0.0000
ERA	-1.257764	1.923356	-3.653942	0.0000
ERC	1.501555	2.940134	4.510710	0.0000
ERM	0.140374	3.287741	0.042696	0.9660
ERT	2.360792	3.535308	0.667775	0.5059
Effects Specification				
			S.D.	Rho
Cross-section random			60.00738	0.3427
Idiosyncratic random			83.09806	0.6573
Weighted Statistics				
R-squared	0.710433	Mean dependent var		-5.857094
Adjusted R-squared	0.631233	S.D. dependent var		80.47770
S.E. of regression	81.72480	Sum squared resid		634499.6
F-statistic	4.250405	Durbin-Watson stat		1.529225
Prob(F-statistic)	0.008763			
Unweighted Statistics				
R-squared	0.411344	Mean dependent var		-14.60130
Sum squared resid	839386.5	Durbin-Watson stat		1.155955
Correlated Random Effects - Hausman Test				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		0.886050	4	0.9266

**Source:** E-view 10.0 Output

The panel regression results (Table 3) examine the effect of enterprise risk management (ERM) components on corporate liquidity, proxied by net cash flow (NCF). The constant term ( $C = -16.55$ ,  $p < 0.001$ ) indicates that, in the absence of ERM interventions, firms tend to experience negative net cash flow, reflecting liquidity constraints in the sampled Nigerian Premium Board firms. Among the ERM components, Enterprise Risk Assessment (ERA) has a significant negative effect on corporate liquidity ( $\beta = -1.258$ ,  $p < 0.001$ ). This suggests that higher efforts in risk assessment may tie up resources or impose precautionary measures that reduce immediate cash availability. Conversely, Enterprise Risk Control (ERC) shows a significant positive impact ( $\beta = 1.502$ ,  $p < 0.001$ ), indicating that implementing effective control mechanisms

enhances liquidity by improving operational efficiency and safeguarding cash flows.

Enterprise Risk Monitoring (ERM) and Enterprise Risk Transfer (ERT) exhibit positive but insignificant effects on liquidity (ERM:  $\beta = 0.140$ ,  $p = 0.966$ ; ERT:  $\beta = 2.361$ ,  $p = 0.505$ ), implying that monitoring and risk transfer practices do not directly translate into immediate improvements in net cash flow in the short term, though they may contribute to long-term stability. The model explains approximately 71% of the variation in corporate liquidity ( $R^2 = 0.710$ , Adjusted  $R^2 = 0.631$ ), with the F-statistic (4.25,  $p = 0.0088$ ) confirming overall model significance. The Durbin-Watson statistic (1.529) suggests no serious autocorrelation issues. The Hausman test ( $\text{Chi}^2 = 0.886$ ,  $p = 0.927$ ) supports the use of a random effects model,



indicating that unobserved heterogeneity across firms is not correlated with the regressors.

### Discussion of Findings

The findings of this study reveal a nuanced relationship between enterprise risk management (ERM) practices and corporate liquidity in firms listed on the Premium Board of the Nigerian Exchange Group. The results indicate that Enterprise Risk Assessment (ERA) negatively and significantly affects corporate liquidity ( $\beta = -1.258$ ,  $p < 0.001$ ). This suggests that firms engaging in extensive risk assessment may temporarily tie up cash or allocate resources toward risk identification processes, reducing immediate liquidity. This finding aligns with Rao (2007) and Bednarek et al. (2019), who observed that while risk assessment is critical for long-term strategic planning, excessive focus may constrain short-term financial flexibility. Conversely, Enterprise Risk Control (ERC) positively and significantly influences corporate liquidity ( $\beta = 1.502$ ,  $p < 0.001$ ), implying that implementing effective risk control measures enhances operational efficiency and safeguards cash flows. This supports the assertion by Ajibola (2019) and Moeller (2007) that proactive risk control strengthens a firm's resilience, contributing to better liquidity management and financial stability.

The study further shows that Enterprise Risk Monitoring (ERM) and Enterprise Risk Transfer (ERT) have positive but statistically insignificant effects on liquidity ( $p > 0.05$ ). This suggests that while monitoring and transferring risks are important for overall risk management, they do not directly translate into immediate improvements in net cash flow. This is consistent with Onsongo et al. (2020), who found that monitoring mechanisms often improve long-term performance but have limited short-term cash flow impact. However, it partially contrasts with Stanton (2012), who argued that active risk monitoring can indirectly enhance liquidity by preventing operational losses. The overall model explains 71% of the variation in corporate liquidity, highlighting the strong explanatory power of ERM components. The findings indicate that while all ERM practices are integral to managing corporate risk, risk control emerges as the most critical driver of

liquidity, supporting the view that strategic implementation of ERM enhances firm value by balancing risk mitigation with financial flexibility (Iwedi et al., 2020).

### 5. CONCLUSION

This study examined the effect of enterprise risk management (ERM) practices on corporate liquidity of firms listed on the Premium Board of the Nigerian Exchange Group over the period 2015–2024. The results indicate that enterprise risk assessment (ERA) negatively affects corporate liquidity, suggesting that extensive risk evaluation may temporarily constrain cash availability. Conversely, enterprise risk control (ERC) significantly enhances liquidity, demonstrating that effective operational risk mitigation strengthens cash flows and overall financial stability. Enterprise risk monitoring (ERM) and enterprise risk transfer (ERT) exhibited positive but statistically insignificant effects, indicating their contributions are more long-term and strategic than immediate. The model explained 71% of the variation in liquidity, confirming the strong influence of ERM practices on corporate cash management. Based on these findings, it is recommended that Nigerian listed firms on the premium board of exchange should:

- i. Prioritize actionable risk control measures to protect cash flows and enhance liquidity.
- ii. Balance risk assessment with operational efficiency, ensuring that resources devoted to identifying risks do not overly constrain short-term liquidity.
- iii. Integrate monitoring and risk transfer strategies as complementary practices for long-term stability rather than immediate liquidity gains.
- iv. Adopt a holistic ERM framework that aligns risk management with corporate financial objectives, supporting both liquidity and shareholder value creation.

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