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CORPORATE LIQUIDITY POLICY AND MARKET VALUATION OF LISTED FIRMS IN NIGERIA EXCHANGE

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Abstract: This study investigates the effect of corporate liquidity policy on the market valuation of listed food and beverage firms in Nigeria over the period 2015–2024. Utilizing panel data from thirteen quoted firms obtained from the Nigerian Exchange Group (NGX) and firms' audited annual reports, the study adopts Tobin's Q as a proxy for market valuation, while corporate liquidity policy is measured using the current ratio (CUR), quick ratio (QUR), and cash ratio (CSR). The analysis employs descriptive statistics, panel unit root tests, and a random effects regression model, following Hausman test results, to determine the impact of liquidity policy on firm value. Descriptive results indicate that firms maintain moderate liquidity levels, with average current and quick ratios reflecting sufficient short-term solvency. Panel unit root tests confirm stationarity of the variables, validating the appropriateness of the regression analysis. Empirical findings reveal that both CUR and QUR have positive and statistically significant effects on Tobin's Q, demonstrating that efficient liquidity management enhances market valuation by reducing financial distress risk, signaling financial strength, and improving operational efficiency. Conversely, CSR exhibits a negative and statistically insignificant relationship with market valuation, suggesting that excessive cash holdings do not contribute meaningfully to firm value and may imply inefficient asset utilization. These results corroborate the Trade-Off, Pecking Order, Agency, and Signaling theories, highlighting that optimal liquidity management, rather than idle cash accumulation, is critical for enhancing investor confidence and firm valuation. The study recommends that managers adopt optimal liquidity targets, integrate liquidity management into corporate financial strategy, and improve disclosure of liquidity policies to strengthen market perception and sustainable firm performance.

Keywords: Corporate liquidity policy, Tobin's Q, Current ratio, Quick ratio, Market valuation, Food and beverage firms, Nigeria.

1. Introduction

Market valuation represents the aggregate judgment of investors regarding a firm's financial health, growth potential, and risk profile, and it is central to investment decision-making in capital markets. In finance theory, market valuation is influenced not only by earnings performance but also by liquidity policy decisions that affect short-term solvency and operational continuity. Empirical evidence from emerging markets indicates that firms with sound liquidity structures tend to enjoy superior market valuation due to reduced default risk and enhanced financial flexibility (Batten et al., 2022).

Liquidity policy determines how firms balance current assets and liabilities to support daily operations without compromising value creation. Optimal liquidity management reduces financing frictions and supports

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stable cash flows, which are positively priced by the market (Baños-Caballero et al., 2020). Conversely, weak liquidity positions expose firms to refinancing risk, while excessive liquidity holdings may lead to suboptimal investment decisions and lower market valuation (Aktas et al., 2015). These dynamics are especially critical in the foods and beverage industry, where working capital cycles are intensive and sensitive to supply chain disruptions.

In Nigeria, the foods and beverage sector faces persistent liquidity challenges arising from high production costs, import dependency for raw materials, and limited access to long-term financing. Although prior Nigerian studies document significant relationships between liquidity indicators and firm performance, most rely on accounting-based measures such as return on assets and return on equity, neglecting market-based valuation metrics (Akinlo & Asaolu, 2021). Consequently, the effect of corporate liquidity policy on market valuation remains insufficiently explored. This study contributes to the literature by analyzing how liquidity policy influences the market valuation of listed foods and beverage firms in Nigeria.

2. Literature Review

2.1 Theoretical Framework

The theoretical foundation of the relationship between corporate liquidity policy and market valuation is anchored on established corporate finance theories that explain how short-term financial decisions influence firm value and investor perception. Prominent among these theories are the Trade-Off Theory, Pecking Order Theory, Agency Theory, and Signaling Theory.

The Trade-Off Theory posits that firms seek an optimal level of liquidity by balancing the benefits of holding liquid assets against their associated costs. Adequate liquidity reduces the probability of financial distress, ensures operational continuity, and enhances a firm's ability to exploit investment opportunities, all of which can positively influence market valuation. However, excessive liquidity may lead to inefficient asset utilization and opportunity costs, thereby reducing firm value (Baños-Caballero et al., 2020). In the context of listed foods and beverage firms, which are characterized by high working capital requirements, the theory suggests that deviations from optimal liquidity levels can be reflected in lower market valuation. The Pecking Order Theory, developed by Myers and Majluf (1984), explains firms' financing preferences and their implications for liquidity policy. The theory argues that firms prefer internal financing, followed by debt, and resort to equity as a last option due to information asymmetry. Consequently, firms with strong liquidity positions rely less on external financing, which reduces financing costs and mitigates adverse market reactions. In emerging markets such as Nigeria, where capital markets are less efficient, firms that maintain sufficient liquidity are more likely to be favorably valued by investors due to lower perceived risk.

The Agency Theory provides further insight into how liquidity policy affects market valuation. According to Jensen and Meckling (1976), managers may accumulate excess liquidity to pursue private benefits, leading to agency costs and value destruction. Investors may therefore discount firms with unusually high liquidity holdings, perceiving them as signals of weak governance or inefficient capital allocation. This theoretical perspective is particularly relevant for publicly listed firms, where separation of ownership and control heightens agency conflicts and influences market valuation outcomes. The Signaling Theory suggests that corporate liquidity policy can convey information to the market about a firm's financial strength and future prospects. Firms with optimal liquidity levels may signal strong cash flow management and resilience to economic shocks, which enhances investor confidence and market valuation (Spence, 1973). Conversely, weak liquidity positions may signal financial distress, prompting negative market reactions. In the foods and beverage sector, where earnings volatility and cost pressures are common, liquidity signals are likely to play a significant role in shaping market valuation.

2.2 Conceptual Review

2.2.1 Corporate Liquidity Policy

Corporate liquidity policy refers to managerial decisions regarding the level and structure of liquid assets and short-term liabilities maintained to support day-to-day operations and meet maturing obligations. It reflects how

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firms balance cash holdings, receivables, inventories, and short-term financing to ensure solvency without sacrificing value creation. In corporate finance, liquidity policy is commonly operationalized using indicators such as the current ratio, quick ratio, cash ratio, and the cash conversion cycle, each capturing different dimensions of short-term financial strength (Ross et al., 2022). Liquidity policy is conceptually linked to a firm's ability to withstand operational shocks and financing constraints. Firms with adequate liquidity can finance working capital internally, reduce reliance on costly external funding, and sustain production and distribution activities, particularly in manufacturing-intensive sectors such as foods and beverages (Baños-Caballero et al., 2020). However, maintaining excessive liquidity may impose opportunity costs, as idle cash and overinvestment in current assets can depress returns and signal inefficient resource allocation to investors (Aktas et al., 2015).

From a market perspective, corporate liquidity policy shapes investor perception of risk and financial discipline. Sound liquidity management is often interpreted as a signal of financial stability and prudent management, which may enhance investor confidence and positively influence firm valuation. Conversely, weak liquidity positions increase default risk and earnings volatility, leading to negative market reactions (Batten & Vo, 2021). In emerging markets, where access to external finance is limited and information asymmetry is high, liquidity policy becomes even more critical in determining firm credibility and value relevance. In the Nigerian foods and beverage industry, liquidity policy is particularly important due to high inventory turnover requirements, exposure to input price volatility, and dependence on short-term financing. Empirical studies in Nigeria indicate that liquidity management practices significantly influence firm performance, although most focus on profitability rather than market-based outcomes (Akinlo & Asaolu, 2021).

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2.2.2 Market Valuation

Market valuation represents the investors' assessment of a firm's worth, reflecting how effectively its assets are utilized to generate future earnings and shareholder wealth. It integrates both accounting-based and market-based indicators to evaluate firm performance from the perspective of value creation (Chung & Pruitt, 1994). Among these, Tobin's Q has emerged as a dominant market-based measure. Originally proposed by Tobin (1969), the ratio compares the market value of a firm's assets to their replacement cost. A Q greater than one suggests that the market values the firm more highly than its recorded asset base, indicating positive growth prospects, while a Q below one implies undervaluation or inefficient asset utilization. Tobin's Q serves as a comprehensive measure of firm value because it encapsulates market perceptions of management efficiency, profitability potential, and growth opportunities (Perfect & Wiles, 1994). It is less affected by short-term accounting policies and thus captures the long-term valuation effects of strategic financial decisions, including capital structure choices (Morck, et al, 1990). In emerging markets such as Nigeria, Tobin's Q provides a useful framework for understanding how investors respond to financing policies under conditions of economic uncertainty, inflationary pressures, and exchange rate volatility (Omuemi, Olowe, & Adegbite, 2023).

2.3 Empirical Review

Empirical evidence on corporate liquidity policy and firm value has consistently emphasized the importance of efficient working capital management in enhancing firm valuation and financial performance. Ajinomisanghan and Ehiedu (2025) examined the relationship between working capital management and firm valuation among listed pharmaceutical firms in Nigeria, focusing on key components such as the average collection period, average payment period, inventory conversion period, and cash conversion cycle. Using econometric techniques on panel data, the study found that efficient working capital management significantly improves firm value. Specifically, shorter collection periods and effective inventory management were associated with higher firm valuation due to improved liquidity and reduced financing costs, while prolonged payment periods and extended cash conversion cycles weakened firm value. The findings underscore the relevance of liquidity efficiency in value

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creation, particularly in capital-constrained and volatile environments.

Extending the analysis beyond Nigeria, Ramadhan and Hendayana (2025) investigated the effect of liquidity, firm growth, and capital structure on firm value in Indonesian property and real estate firms, with profitability as a moderating variable. Employing moderated regression analysis over the period 2019–2023, the study revealed that liquidity and capital structure exert significant positive effects on firm value, whereas firm growth was not statistically significant. Profitability did not moderate the relationship between liquidity and firm value but significantly moderated the capital structure–firm value nexus. These findings suggest that liquidity strength directly enhances firm valuation, while the valuation impact of leverage depends on firms' earnings capacity.

In the Nigerian food and beverage sector, Denwigwe and Alao (2023) examined the effect of working capital management on profitability using panel data from ten listed firms covering 2007–2021. Applying the Generalized Method of Moments to address endogeneity concerns, the study reported a significant negative relationship between accounts receivable and profitability, indicating that delayed collections weaken earnings performance. The results imply that improved receivables management enhances cash flow and profitability, reinforcing the importance of liquidity discipline in manufacturing firms with high working capital requirements. Wofuru-Nyenke and Iwedi (2023) examined the impact of liquidity risk management practices on the profitability of Nigerian banking firms using panel data spanning 1960–2021. Employing unit root tests, Johansen cointegration, and OLS estimation, the study established a long-run relationship between liquidity indicators and profitability. The results indicate that Nigerian banks generally maintained adequate liquidity positions, as reflected in current ratios within acceptable regulatory thresholds. However, the cash ratio was found to exert an insignificant effect on profitability, suggesting that excessive liquidity holdings do not necessarily enhance bank performance.

Earlier empirical studies provide consistent international evidence on the liquidity performance nexus. Shin and Soenen (1998) documented a negative relationship between working capital and profitability among U.S. firms, while Gill et al. (2010) confirmed that efficient working capital management improves firm profitability. In Nigeria, Ogundipe et al. (2012) found strong linkages between working capital management, firm performance, and market value. Similar results were reported in Sri Lanka by Bandara (2015), who demonstrated that working capital policies significantly influence market valuation. Studies from Brazil further highlight the role of firm-specific characteristics in shaping working capital outcomes. Ching et al. (2011) and Palombini and Nakamura (2012) showed that firm size, leverage, and growth opportunities significantly affect working capital behavior and firm valuation. Evidence from Turkey by Ata and Buğan (2016) and Keskin and Gökalp (2016) also revealed that working capital components exert significant effects on both profitability and firm value. Additionally, Shah et al. (2017) and Altaf and Shah (2017) emphasized inventory and receivables management as critical drivers of financial performance.

3. Methodology

The study employed a panel research design that combined time-series and cross-sectional data to examine the effect of corporate liquidity policy on the market valuation of listed food and beverage firms in Nigeria. Secondary data were obtained from the Nigerian Exchange Group (NGX) and firms' published annual reports covering 2015–2024. A census approach was adopted since only thirteen firms met the listing criteria, ensuring complete population coverage. The key variables included corporate liquidity policy indicator (Current Ratio, Quick Ratio and Cash Ratio) and market valuation measured by Tobin's Q. Data sourced from audited financial statements complied with IFRS and FRCN standards, ensuring accuracy and comparability across firms and years. Data analysis involved descriptive and correlation analyses to summarize and explore relationships among variables. Panel unit root tests were conducted to confirm data stationarity, followed by fixed and random effects regression models to determine the impact of capital structure on market valuation. The Hausman test guided

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the choice between models, ensuring consistent and unbiased estimates. All analyses were performed using E-Views 12, providing robust empirical evidence on how corporate liquidity policy influence market value of firms in Nigeria's food and beverage sector. The study adopts a multiple panel linear regression framework within the panel data structure, given that the data covers 13 quoted food and beverage firms in Nigeria over a 10-year period (2015–2024). The general functional relationship is expressed as:

$$MVit = f(CLPit, \mu it) \quad (1)$$

The explicit econometric model is formulated as:

$$TBQit = \beta 0 + \beta 1CURit + \beta 2QURit + \beta 3CSRit + \varepsilon it \quad (2)$$

Pooled Regression Model Specification

$$TBQ = \beta_0 + \beta_1 CUR_{it} + \beta_2 QUR_{it} + \beta_3 CSR_{it} + \mu_{it} \quad (3)$$

Fixed Effect Model Specification

$$TBQ = \alpha_0 + \alpha_1 CUR + \alpha_2 QUR + \alpha_3 CSR + \sum_i^9 = 1\alpha_i idum\varepsilon 1_{it} \quad (4)$$

Random Effect Model Specification

$$TBQ = \alpha_0 + \alpha_1 CUR + \alpha_2 QUR + \alpha_3 CSR + \mu i + \varepsilon 1_{it} \quad (5)$$

Where:
CLPit = Corporate Liquidity Policy,
CUR = Current Ratio
QUR = Quick Ratio
CSR = Cash Ratio
TBQ = Tobin Q
β0 = Intercept,
β1−β3 = Coefficients of the explanatory variables,
εit = Random error term.

4. Results and Interpretation

Table 1 Descriptive Statistics between Corporate Liquidity Policy and Tobin's Q

	TBQ	CUR	QUR	CSR
Mean	1.091769	1.553385	1.143077	0.366077
Median	1.050000	1.490000	1.100000	0.300000
Maximum	1.620000	2.350000	2.000000	0.900000
Minimum	0.650000	0.950000	0.500000	0.080000
Std. Dev.	0.229257	0.329591	0.357411	0.198925
Skewness	0.506657	0.355810	0.364760	0.763335
Kurtosis	2.445275	2.165444	2.384541	2.544211
Jarque-Bera	7.228684	6.515632	4.934527	13.75003
Probability	0.026935	0.038472	0.084817	0.001033
Sum	141.9300	201.9400	148.6000	47.59000
Sum Sq. Dev.	6.780093	14.01331	16.47877	5.104699
Observations	130	130	130	130

Source: Extracted from E-view 12 Output

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The descriptive statistics presented in Table 1 provide an initial insight into the behavior of market valuation and corporate liquidity policy variables among listed food and beverage firms in Nigeria. Tobin's Q (TBQ), which proxies market valuation, has a mean value of 1.09, indicating that, on average, the market values these firms slightly above the replacement cost of their assets. This suggests moderate investor confidence in the sector's growth prospects. The relatively narrow range between the minimum (0.65) and maximum (1.62) values indicates limited extreme valuation swings, reflecting relative stability in market pricing.

With respect to corporate liquidity policy, the mean current ratio (CUR) of 1.55 suggests that, on average, the firms maintain adequate short-term solvency, with current assets sufficiently covering current liabilities. Similarly, the mean quick ratio (QUR) of 1.14 indicates that firms are able to meet short-term obligations even after excluding inventories, which is important in an industry where inventory turnover may be volatile. However, the mean cash ratio (CSR) of 0.37 implies a relatively conservative cash holding position, indicating reliance on receivables and inventory rather than idle cash to meet immediate obligations.

The standard deviations across all variables are moderate, suggesting limited dispersion around the mean and indicating homogeneity in liquidity practices and market valuation among sampled firms. Positive skewness values for all variables indicate slight right-skewness, implying that higher values occur less frequently but influence the distribution. Kurtosis values are below the benchmark of three, suggesting relatively flat distributions. The Jarque–Bera statistics and associated probabilities indicate that TBQ, CUR, and CSR deviate from normality at the 5 percent level, while QUR is approximately normally distributed. This non-normal behavior supports the use of robust and dynamic panel estimation techniques in subsequent analyses. Overall, the descriptive results suggest that listed food and beverage firms in Nigeria maintain moderate liquidity positions and are reasonably valued by the market.

Table 2: Panel Unit Root Test Results (ADF-Fisher and ADF-Choi)

Variable	Method	Statistic	Prob.	Decision
D(TBQ)	ADF-Fisher Chi-square	151.043	0.0000	Stationary
	ADF-Choi Z-stat	-9.1822	0.0000	Stationary
D(CUR)	ADF-Fisher Chi-square	137.706	0.0000	Stationary
	ADF-Choi Z-stat	-8.8745	0.0000	Stationary
D(QUR)	ADF-Fisher Chi-square	136.968	0.0000	Stationary
	ADF-Choi Z-stat	-8.6217	0.0000	Stationary
D(CSR)	ADF-Fisher Chi-square	166.479	0.0000	Stationary

Source: Extracted from E-view 12 Output

The panel unit root test results reported in Table 2 indicate that all the variables used in the analysis are stationary after first differencing. Specifically, market valuation, proxied by Tobin's Q (TBQ), and corporate liquidity policy variables, including the current ratio (CUR), quick ratio (QUR), and cash ratio (CSR), were tested using the ADF-Fisher Chi-square and ADF-Choi Z-statistic approaches. For all variables, the probability values associated with both test statistics are 0.0000, which is well below the conventional 5 percent significance level. This leads to the rejection of the null hypothesis of a unit root, confirming stationarity at first difference. From a technical perspective, the stationarity of the first-differenced series implies that shocks to market valuation and liquidity policy variables are temporary rather than permanent. This suggests that deviations in Tobin's Q and liquidity indicators caused by firm-specific or macroeconomic disturbances tend to adjust back to their long-run paths over time. In the context of listed food and beverage firms in Nigeria, this behavior is consistent with a sector that is responsive to financial policy adjustments and market corrections.

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The results further imply that the variables are integrated of order one, I(1), which justifies the use of dynamic panel estimation techniques capable of capturing both short-run adjustments and long-run relationships. Econometrically, this property minimizes the risk of spurious regression and strengthens the reliability of subsequent analyses examining the impact of corporate liquidity policy on market valuation. In relation to the study's objective, the confirmed stationarity of the liquidity policy variables indicates that changes in current ratio, quick ratio, and cash ratio have systematic and predictable effects on market valuation dynamics rather than erratic or explosive behavior. This supports the theoretical expectation that liquidity management decisions are value-relevant and that investors in the Nigerian capital market respond to adjustments in firms' liquidity positions when pricing food and beverage firms.

Table 3: Hausman Test Results for Corporate Liquidity Policy and Market Valuation

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.267640	3	0.9660
Period random	0.013955	3	0.9996
Cross-section and period random	0.354662	3	0.9494

Source: Extracted from E-view 12 Output

For the analysis of liquidity policy and market valuation, Tobin's Q was employed as the dependent variable, while the explanatory variables included current ratio (CUR), quick ratio (QUR), and cash ratio (CSR). To determine the appropriate estimation technique, the Hausman test was conducted to compare the fixed effects and random effects models.

The results of the Hausman test produced Chi-Sq statistics of 0.2676 for cross-section random, 0.0139 for period random, and 0.3547 for cross-section and period random, with probability values of 0.9660, 0.9996, and 0.9494 respectively. Since all the probability values were greater than the 5 percent significance level, the null hypothesis that the random effects model is consistent and efficient could not be rejected. This indicates that the random effects model is more suitable for this aspect of the analysis.

Based on this outcome, the random effects model was adopted to examine the effect of liquidity policy on Tobin's Q of quoted food and beverage firms in Nigeria. The choice of the random effects model is justified because the differences across firms are not significantly correlated with the independent variables, meaning that random effects provide efficient and unbiased estimates in this case. The results therefore reflect how variations in current ratio, quick ratio, and cash ratio influence the market valuation of food and beverage firms within the study period.

Table 4 Relationship between Corporate Liquidity Policy and Market Valuation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.227818	0.079669	2.859565	0.0050
CUR	0.345284	0.070693	4.884283	0.0000
QUR	0.303232	0.085129	3.562034	0.0005
CSR	-0.051972	0.175173	-0.296691	0.7672
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000

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Period random		0.000000	0.0000
Idiosyncratic random		0.108138	1.0000
	Weighted Statistics		
R-squared	0.811214	Mean dependent var	1.091769
Adjusted R-squared	0.806720	S.D. dependent var	0.229257
S.E. of regression	0.100790	Sum squared resid	1.279984
F-statistic	180.4746	Durbin-Watson stat	1.800466
Prob(F-statistic)	0.000000		
	Unweighted Statistics		
R-squared	0.811214	Mean dependent var	1.091769
Sum squared resid	1.279984	Durbin-Watson stat	1.800466

Source: Extracted from E-view 12 Output

The results in Table 4 present the relationship between corporate liquidity policy and market valuation of quoted food and beverage firms in Nigeria, with Tobin's Q as the dependent variable. The constant term (C) has a coefficient of 0.227818 and is statistically significant at the 1% level ($p = 0.0050$). This indicates a positive baseline value of Tobin's Q even when liquidity policy variables are held constant. The current ratio (CUR) shows a positive coefficient of 0.345284 and is highly significant ($p = 0.0000$). This means that higher current ratios, reflecting stronger short-term liquidity positions, contribute significantly to higher market valuation. Investors tend to perceive firms with sufficient current assets to cover short-term obligations as less risky, which enhances firm value.

The quick ratio (QUR) also has a positive coefficient of 0.303232 and is statistically significant at the 1% level ($p = 0.0005$). This suggests that a stronger quick liquidity position, which excludes inventory, also supports higher market valuation. It highlights that investors value firms with the ability to meet immediate obligations without relying heavily on less liquid assets. In contrast, the cash ratio (CSR) has a negative coefficient of –0.051972 but is not statistically significant ($p = 0.7672$). This indicates that holding excessive cash reserves does not meaningfully affect market valuation. In some cases, high idle cash balances may even suggest inefficiency in resource utilization, but the insignificance here means no firm conclusion can be drawn.

The overall model is strong, with an R-squared of 0.811214, showing that liquidity policy variables explain about 81% of the variation in market valuation. The adjusted R-squared of 0.806720 confirms robustness. The F-statistic (180.4746) is highly significant ($p = 0.000000$), indicating that the model as a whole is valid. The Durbin-Watson statistic (1.800466) is close to 2, suggesting no serious autocorrelation problem. In summary, the findings show that liquidity policy has a significant effect on the market valuation of quoted food and beverage firms in Nigeria. Specifically, both current ratio and quick ratio positively and significantly influence Tobin's Q, while the cash ratio has no significant impact. This suggests that investors place higher value on firms with adequate and efficient liquidity management rather than those holding idle cash reserves.

4.1 Discussion of Findings

The empirical findings on corporate liquidity policy and market valuation are not only consistent with the theoretical framework of this study but also align closely with prior empirical evidence from both Nigerian and international contexts. The positive and statistically significant effects of the current ratio (CUR) and quick ratio (QUR) on Tobin's Q indicate that adequate short-

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term liquidity enhances market valuation of listed food and beverage firms in Nigeria. This outcome corroborates earlier studies that document the value relevance of liquidity adequacy. For instance, Ogundipe et al. (2012) and Akinlo (2011) found that liquidity ratios significantly improve firm performance and market value among Nigerian manufacturing firms. Similarly, Bandara (2015) reported that liquidity policies positively influence market valuation in Sri Lankan firms, reinforcing the notion that investors reward firms with sound liquidity positions. From a Trade-Off Theory perspective, the results are consistent with the findings of Baños-Caballero et al. (2020) and Deloof (2003), who demonstrated that optimal working capital management enhances firm value, while deviations from optimal liquidity levels reduce performance. The insignificant and negative effect of the cash reserve ratio (CSR) supports this argument and aligns with empirical evidence by Opler et al. (1999), who showed that excessive cash holdings often fail to enhance firm value due to opportunity costs and inefficient capital utilization.

The results also resonate with the Pecking Order Theory and are supported by prior empirical studies showing that firms with stronger liquidity rely less on external financing and are consequently valued more favorably by the market. Ajinomisanghan and Ehiedu (2025) documented that efficient working capital components, particularly shorter collection periods and optimized inventory management, significantly improve firm valuation in Nigeria. This suggests that internal liquidity strength reduces financing frictions and mitigates adverse valuation effects associated with external funding. In line with Agency Theory, the negative and insignificant effect of CSR mirrors the findings of Jensen (1986) and later empirical studies such as Gill et al. (2010), which caution that excess cash may heighten agency problems and weaken firm value. Investors may therefore discount firms that accumulate idle cash without deploying it into productive investments. This interpretation is further supported by Shah et al. (2017) and Altaf and Shah (2017), who emphasized that efficient management of receivables and inventory, rather than cash hoarding, is critical for improving firm performance. Finally, the results are consistent with Signaling Theory, as documented in studies by Uwuigbe et al. (2012) and Ramadhan and Hendayana (2025), which show that strong liquidity indicators serve as positive signals of financial stability and enhance firm valuation. In contrast, excessive cash reserves may send weak or ambiguous signals regarding growth opportunities.

5. Conclusion

This study examined the effect of corporate liquidity policy on the market valuation of listed food and beverage firms in Nigeria using panel data covering 2015 to 2024. Liquidity policy was proxied by the current ratio, quick ratio, and cash ratio, while market valuation was measured using Tobin's Q. The methodological framework combined descriptive analysis, panel unit root tests, Hausman specification tests, and random effects regression to ensure robust and reliable estimates. The descriptive results showed that the sampled firms maintained moderate liquidity positions and were, on average, valued slightly above the replacement cost of their assets, indicating reasonable investor confidence in the sector. Panel unit root tests confirmed that all variables were stationary at first difference, validating their suitability for panel regression analysis and minimizing the risk of spurious results. Empirical findings from the random effects model revealed that corporate liquidity policy significantly influences market valuation in Nigeria's food and beverage sector. Specifically, the results indicate that both the current ratio and quick ratio exert positive and statistically significant effects on market valuation, suggesting that firms with stronger and more efficient short-term liquidity positions are more favorably valued by investors. These findings align with the trade-off, pecking order, agency, and signaling theories, which collectively emphasize that optimal liquidity management enhances firm value by reducing financial distress risk, lowering financing costs, and conveying positive information to the market.

In contrast, the cash ratio exhibits a negative but statistically insignificant relationship with market valuation, implying that holding excessive idle cash does not contribute meaningfully to firm value. This outcome supports the agency theory argument that excess cash may reflect inefficient resource utilization and may not be

perceived positively by investors. Overall, the results suggest that investors in the Nigerian capital market place greater emphasis on liquidity efficiency rather than sheer cash accumulation when valuing food and beverage firms. Overall, the study concludes that efficient liquidity management, rather than mere accumulation of cash, is value-relevant for listed food and beverage firms in Nigeria. Based on these findings, the study recommends that managers of food and beverage firms adopt optimal liquidity targets that balance solvency and efficiency, avoiding excessive cash holdings that do not enhance value. Liquidity management should be treated as a strategic component of corporate financial policy, closely aligned with operational needs and market expectations. Additionally, improved disclosure and transparency of liquidity policies in financial reports are essential to reduce information asymmetry and strengthen investor confidence.

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