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RISK MANAGEMENT PRACTICES AND MARKET VALUE OF QUOTED MANUFACTURING FIRMS IN NIGERIA

Original scientific paper

Abstract

This research investigated how risk management strategies affect the market value of quoted Nigerian manufacturing firms from 2013 to 2022. 30 out of 44 firms across consumer goods, agricultural, industrial goods, and conglomerate sectors were deliberately selected. The study employed panel regression, correlation analysis, and descriptive statistics for data analysis. The findings revealed that liquidity risk (LDQ), operational efficiency risk (OER), and leverage risk (LEV) significantly influence market share prices. Also, the result revealed that LDQ, OER, and LEV positively and significantly impact Tobin's Q. In conclusion, the study suggests that managing liquidity, operational efficiency, and leverage risks can substantially enhance the market value of Nigerian manufacturing firms. Thus, firms are encouraged to mitigate these risks to increase market value, profitability, and overall growth.

1. INTRODUCTION

Wolmorans and Meintjes (2015) suggested that financial management practices encompass the typical measures established by an entity to support budgeting, financial reporting, and budgeting activities. These practices typically involve risk management, capital structure and asset management. Risk management practices (RMP) involve the identification, valuation, and alleviation of impending risks to minimize their impact on an organization's objectives, as stated by (Dewi & Yanti 2023). They noted that the disclosure of risk management activities has improved over the years, attributed to the implementation of International Financial Reporting Standards (IFRS). This adoption has enabled the gathering of more detailed information about risk management actions from reviewed financial records of firms (Hoddler, 2019). Despite the prevalence of risk management practice disclosure in developed nations like the UK and USA, it remains challenging for external observers to fully grasp these practices, as highlighted by (Gordon et al. 2011). This difficulty arises because they often do not provide comprehensive insights into the underlying managerial decision-making processes regarding risk management within the firm.

Aulia and Murwanti (2024) define market value as a measure utilized to assess a company's success in optimizing shareholders' wealth through efficient resource allocation. The larger a company's equity market value, the greater its perceived size among market participants (Dewi & Yanti, 2023). According to Nita (2011), market value serves as a gauge to determine whether a company has generated or eroded value from investors' perspective, which increases merely when the return on capital investment surpasses the cost of capital. Aloy and Alfred (2014) supported this notion, emphasizing that creating shareholder value involves maximizing market value for investors. Hence, market value is regarded as the most reliable gauge of affluence creation for shareholders, particularly from an investor's standpoint. Kumar et al. (2021) asserted that effective RMP contributed to enhancing a company market value (MV) and enable more informed corporate decision-making.

Moreover, effective application of risk management procedures can have a positive impact on company's MV by fostering investor confidence, reducing uncertainty, and bolstering overall financial stability. Kanaan-Jebna et al. (2022) highlighted that global economic downturns underscore the importance of risk management for firms seeking to maintain customer and stakeholder loyalty. A company that demonstrates vigorous risk management systems may attract increased investor interest, theoretically resulting in higher market valuation. Contra wise, preemptive risk mitigation efforts can envision adverse events that might otherwise harm the company's performance and status in the marketplace.

Numerous forms of risk, including operational, credit, market and financial risks, can significantly influence how firm is managed (Thotttoli et al., 2019).

However, RMP comprise of essential components, including liquidity, operational efficiency, and leverage. It has been noted that ensuring companies' ability to meet cash flow requirements is crucial through effective management of liquidity risk. Liquidity plays a pivotal role in shaping a firm's value therefore, higher liquidity levels is typically associated with increased in market value. This attribute, which reflects a firm's capability to fulfill short-term obligations and efficiently sell its assets, is often viewed positively by investors. Dzapasi (2020) emphasized the unfavorable effects of liquidity deficiencies on firms of all sizes, highlighting the paramount prominence of managing liquidity risk in every organization. Operational efficiency risk also significantly influences market value. Investors tend to favor companies that exhibit strong operational efficiency, as it contributes to cost-effectiveness, optimal resource utilization, and ultimately, enhanced profitability (Gill et al., 2014). Firms dealing with operational efficiency risks, such as production inefficiencies or disruptions in the supply chain, may suffer adverse effects on their market value. Nodolo (2015) highlighted in their research that operational efficiency is a critical determinant of any organization's long-term solvency.

Dewi and Yanti (2023) explained that leverage, as a substitute for risk management practices, reflects firm financial risk by delineating its capital structure and gauging the risk of default. A company's higher leverage typically signifies greater financial risk (Khakwani et al., 2016). While leverage can augment shareholder returns when the ROA surpasses the cost of debt, it can also entail financial risk, particularly if debt costs become onerous or if the company struggles to meet its obligations. In such scenarios, heightened financial risk may lead to a reduction in MV. The disclosure of firms' risk management practices has become prevalent in the 21st century, not only among developed firms in countries like the USA and the United Kingdom but also among firms in developing nations such as Nigeria, Ghana, and Kenya. However, despite this disclosure, ineffective and inadequate risk management practices have been cited as contributing factors to firm failures in these countries. Furthermore, insufficient and ineffective risk management practices have resulted in declines or fluctuations in firms' market value.

Furthermore, risk management practices (RMP) have long been recognized as a crucial component of financial management practices worldwide. However, there has been a scarcity of information in academic literature regarding the influence of RMP on market value, both domestically and globally. While many studies have focused on RMP and their effects on financial performance, such as the works of Sukmana, Ajija, Salama, Hudaifah (2020); Alia et al. (2020); AL-Fakhri

and Alabdullah (2021); Darwish and Abdeldayem (2019); Sleimi (2020); Sukmana, Alabdullah (2023), only a few, including studies by Baxter *et al.* (2013); Spcrcic et al. (2016); McShane et al. (2011); Panaretou (2014), have specifically investigated the connection between RMP and market value. More so, these few researchers did not extend their analysis beyond the year 2022, indicating a research gap in the field. Therefore, this study aims to address this prevailing research gap by thoroughly examining the impact of risk management practices (RMP) on the market value (MV) of listed manufacturing firms in Nigeria from 2013 to 2022. Not only does this research endeavor to fill the identified gap in the literature, but it also aims to provide valuable insights to the broader public, researchers, management, investors, and shareholders of firms in the Nigeria manufacturing sector. The primary objective is to explore how risk management practices, including liquidity, operational efficiency, and leverage, affect the market value of quoted Nigeria manufacturing firms. Liquidity, leverage and operational efficiency risks are used in this study to proxy risk management practices because they have the tendency to affect how well management is balancing strategic, financial and operational decisions, which makes them a useful indicator for accessing risk management practices.

2. LITERATURE REVIEW

2.1. Conceptual Review

Risk Management Practices

Risk management practices involve a methodical approach to identifying, evaluating, and mitigating potential risks in order to achieve organizational objectives while minimizing adverse effects (ISO 31000, 2018). Liquidity, leverage, and operational efficiency are commonly utilized indices for assessing risk management practices across various contexts. This study also utilized these indices because they are best measures of risk management practices. Liquidity risk reflects how well a company manages its short-term assets and liabilities (El-Chaarani, 2019). The ability to maintain liquidity is a sign of effective risk management practices. Also, the extent at which management relies on debt to finance operations signals their risk tolerance and strategies priorities. Companies that manage operations efficiently tend to have high productivity and efficient use of technology which will reflect good risk management practices (Bloom et al., 2013). Additionally, other proxy includes volatility, risk-adjusted performance, credit risk, market risk, compliance, insurance, and cybersecurity. Liquidity refers to an organization's capacity to promptly and effectively meet its short-term financial obligations (Osho et al., 2021). It serves as a critical measure reflecting the degree to

which assets can be transformed into cash to meet up with immediate liabilities (Alabdullah et al., 2020). According to Ahmed et al. (2021), liquidity assessment aids in evaluating an organization's ability to address unforeseen financial challenges and uncertainties. Dzapasi (2020) highlighted the significance of managing liquidity risk, emphasizing that the lack of liquidity can adversely affect an organization's market value and performance. Fwamba et al. (2017) supported this view by stating that organizations failing to manage liquidity risk may face higher risk of liquidation.

Nevertheless, leverage serves as another significant measure for evaluating risk management practices. According to Dewi and Yanti (2023), leverage provides awareness into a company's financial risk by outlining its fund structure as well as the risk of default. The leverage index facilitates the assessment of financial risk associated with debt utilization and its potential impact on overall firm stability and solvency. Khakwani et al. (2016) highlighted that the influence of leverage varies across countries due to differences in corporate structures, regulatory conditions, social factors, and economic discrepancies. High leverage worsens the impact of adverse financial conditions on firms. Dewi and Yanti (2023) emphasized that high leverage levels raise concerns about a firm's capability to meet debt obligations, leading to a loss of investor confidence. Karima and Ghazali (2023) suggested that the percentage of debt-to-total assets, is a crucial gauge reflecting a firm's capital structure and risk level, increase the quantity of assets funded through borrowed capital. It expounds the degree of a firm's confidence on loaned capital sources.

Moreover, operational efficiency risk, as defined by Kalluru and Bhat (2009), pertains to potential threats and obstacles that may impede or disrupt the smooth and effective functioning of a firm's operations. They also noted that operational efficiency denotes a firm's proficiency in optimizing resource proficiencies to provide excellence services and quality products to customers. Operational efficiency risk is linked to inefficiencies, failures, or disruptions in processes, systems, and resources that can hinder firm's capability to attain its purposes. Gill et al. (2014) argued that effective management aims to maximize both present and future operational performance as it can influence the shareholders' wealth and market price per share. Researchers such as Ahmed et al. (2021), Fadun and Oye (2020), Sathyamoorthi (2019), and Alabdullah (2023) have associated risk management practices with proxies such as leverage, liquidity, and leverage.

Market value (MV)

Nita (2011) pointed out that market value serves as a replication of the market's assessment of how effective managers have been in utilizing the company's

capital. The total value of a firm's unpaid shares on the open market is represented by the MV of its shares, sometimes referred to as market capitalization. According to Kumar et al. (2021), a firm's capability to create wealth for its shareholders is demonstrated by its market value, underscoring the significant role effective management plays in enhancing firm value and facilitating more informed corporate decision-making. The assessment of market share price in this study encompasses key indicators such as market share price and Tobin's Q (Damodaran, 2012).

Nita (2011) suggested that a higher market value added indicates improved shareholders' wealth, whereas a negative market value added implies that shareholders' wealth has been diminished. Tobin's Q links the MV of a firm to the replacement cost of its assets, with a ratio greater than 1 indicating that the MV of the company's assets exceed their replacement cost.

Risk Management Practices (RMP) and Market Value

Effective RMP have the potential to positively influence a firm's market value by fostering investor confidence, reducing uncertainty, and bolstering overall financial stability. Conversely, inadequate risk management may lead to financial setbacks, erode shareholders' trust, and diminish market value. Liquidity plays a critical role in shaping and defining a firm's value; higher liquidity levels are typically associated with increased market value. Insufficient liquidity can lead to difficulties in meeting short-term obligations, raising concerns among investors (Zulfikar, 2016). Investors generally prefer stocks of firms with robust liquidity, perceiving them to be less risky. According to the study of Karima and Ghazali (2023) excessive debt usage can result in higher interest costs, economic downturns, reduced profitability, and diminished shareholder returns. Investors often favor firms with lower leverage, as they are perceived to positively influence market value. Aloy and Alfred (2014) argued that leverage amplifies both the risk and potential reward of an investment. If a highly leveraged investment succeeds and generates profit, it will reflect positively in the market value of shares, thereby increasing market value. However, if it fails, it will decrease shareholders' wealth.

Additionally, subpar operational efficiency can result in increased costs, diminished profitability, and diminished market confidence. Conversely, efficient operations enhance competitiveness, potentially boosting investors' confidence and share value. One of the primary objectives of company management is to optimize both existing and prospect operational and financial performance, as these factors affect the market price per share (MSP) and the shareholders' wealth (Gill et al., 2014). Firms with streamlined processes are often perceived to have

a positive influence on market value (Beccalli et al., 2006). Several researchers have investigated the influence of leverage, liquidity, or operational efficiency on MV, including Baxter et al. (2013), Karima and Ghazali (2023), Khakwani, Shahid, and Hamza (2016), Sprcic et al. (2016), Mohammad (2017), Odit and Gobardhun (2011), Siagian (2023), and Panaretou (2014).

Firm Size, Firm Age and Board Size

Adeyemi, Oke and Adenle (2022) define firm size as the natural logarithm of total assets. Firm age denoted the number of years a firm has been in operation. The total number of directors on the firm board is regarded to as the board size. These three variables serve as control variables in this research work to enhance the analysis output and ensure more accurate and reliable results. Some researchers who have used either board size, firm age, or firm size in their previous studies include Abdulkarim et al. (2020), Adenle et al. (2023), Adeyemi, Oke & Adenle (2022), Jihadi et al. (2021), Kumar *et al.* (2021), Olowookere *et al.* (2023), and Reschiwati *et al.* (2020).

2.2. Theoretical Framework

Agency Theory

The study is anchored on agency theory, initially introduced by Berle and Means in 1932 and later developed by Stephen Ross and Barry Mitnick in 1973. Jensen and Meckling (1976) played a significant role in popularizing agency theory. According to Khakwani, et al. (2016) agency theory develops when there is a competing interest between managers and shareholders. The agency problem arises when managers' interests deviate from those of shareholders. This competing interests between managers and shareholders can influence the company's decisions regarding leverage, liquidity and operational efficiency, thereby impacting the firm's market value. Agency theory offers understandings into aligning interests, monitoring devices, and potential conflicts that can affect both risk management practices and market values. Adenle et al. (2023) suggested that the agency problem happen due to the imperfect behavior of the agent. When debt levels rise, shareholders may induce managers to meet their debt obligations. This idea was supported by Fama and French (2002), who said that any company with significant debt consumption has an agency issue involving creditors and shareholders. Perrow (1986), on the other hand, criticized the positivist agency researchers for focusing only on the agent side of the principal versus agent problem, whereas arguing that the principal could possibly be the source of the issue.

2.3. Empirical Review

The study of Karima and Ghazali (2023) examined the influence of leverage, profitability and market value (MV) on share prices f 12 listed Indonesia firms covering a period of 2019-2021. Multiple regression was utilized to estimate the data collected for this study. The outcome of this study discovered that profitability and leverage does not have a noteworthy influence on share prices.

Olagunju et al. (2021) assessed how liquidity influenced the market value (MV) of 12 quoted Nigeria banks within the range of 2011-2019. The study utilized descriptive and multiple regression analysis to estimate the data compiled for this research work. The outcomes from the research work revealed that liquidity had an adverse and noteworthy influence on MV whereas bank size had a positive influence on MV. Leverage was also found to have a positive influence on dividend yield whereas it had no significant influence on EPS.

Kumar et al. (2021) reviewed the influence of leverage and operating efficiency on market value (MV) of some quoted India firms covering a period of 2013-2019. The ordinary least square method was used to analysed the data compiled for this research. The results of the study discovered that financial leverage and operational efficiency have a negative but noteworthy connection with MV.

Ibrahim and Isiaka (2020) reviewed the impact of financial leverage on the firm value of quoted Nigeria companies. 18 firms were sampled for a period of 2014-2018. Pooled OLS, fixed and random effects data model were utilized to examined the data gathered in this research. Tobin's Q was utilized to analyze the firm value. The study finding discovered that leverage has a negative and noteworthy effect on Tobins Q.

Kuzucu and Kuzucu (2019) explored the effect of operational efficiency on market value (MV) of banks in Borsa Istanbul covering a period of 2010-2017. Panel data estimation method and descriptive analysis method were used to analysed the data compiled for this research work. The results gotten disclosed that operating efficiency has a positive and noteworthy influence on MV of the quoted Borsa Istanbul banks.

Sprcic et al. (2016) investigated the impact of risk management (RM) on market value (mv)- a long term perspective. Large U.S firms were examined within the period of 2003 to 2012. 1,613 were the observations used in this study. This research work explored how enterprise risk management (ERM) impacts MV of large U.S. nonfinancial firms within a time frame of year 2003 to year 2012. Difference-in-difference judgement were used to test the main hypothesis of this study. The findings of this research work discovered that RM have a positive

influence on MV for a short time whereas RM does not contribute to a firm MV in the long term.

Bolek and Wolski (2012) reviewed the influence of profitability and liquidity on MV of selected firms in Poland. The review period covered year 200-2009. The study gathered 696 observations using time series data. Correlation was utilized to analyzed the data gathered for the study. T-test was utilized to statistically analyzed the data. The outcome from the study indicated that liquidity has a positive impact on MV. Also, profitability has a positive connection with MV.

3. METHODOLOGY

This study utilized a casual research design, which was deemed suitable because panel data was used. The study duration encompassed a timeframe of ten years, spanning from 2013 to 2022. Purposive sampling techniques were employed to deliberately select thirty (30) firms out of a total of 44 firms across four sectors of manufacturing, namely consumer goods, agricultural, industrial goods, and conglomerate sectors. Data utilized for the study were obtained from the annual reports of the carefully chosen quoted manufacturing firms and from the Nigeria Exchange Group (NGX) website. Descriptive statistics and inferential statistics, including panel regression, were employed to analyze the collected data.

Table 1: Measurement of Variables

Variables	Label	Measurement	Source
Dependents (Market Value)			
Market Share Price	MSP	Closing Share Price of a financial year	Karima and Ghazali (2023), Kuzucu, and Kuzucu (2019), Niresh and and Siagian (2023)
Tobin's Q	TBQ	Market Value of Equity + Total Debt/Total Asset	Jihadi et al. (2021)
Independent (Risk Management)			
Liquidity Risk	LDQ	Ratio of current asset to current liabilities	Adeyemi, Oke & Adenle (2022), Jihadi et al. (2021), Reschiwati et al. (2020),
Operational Efficiency Risk	OER	OCOI = Operating Costs over Operating Income	Ndolo (2014), Siagian (2023)
Leverage Risk	LER	% of total debt to total assets	Pandya (2016), Sari and Sadana (2020).

Control			
Firm Size	FRS	expressed as the natural log of total assets	Adeyemi, Oke & Adenle (2022), Jihadi et al. (2021), Reschiwati et al. (2020)
Firm Age	FGE	Measured by the no. of years since the incorporation of the firm.	Adenle et al. (2023), Kumar et al. (2021), Olowookere et al. (2023).
Board Size	BSZ	No. of directors on board	Abdulkarim, et al. (2020)

Researcher's Compilation (2024)

Model Specification

Model 1: The influence of risk management practices on market share price of quoted Nigeria manufacturing firms.

$$MSP = f (LDQ, OER, LER, FRS, FGE, BSZ) \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots (i)$$

$$MSP_{it} = \delta_0 + \delta_1 LDQ_{it} + \delta_2 OER_{it} + \delta_3 LER_{it} + \delta_4 FRS_{it} + \delta_5 FGE_{it} + \delta_6 BSZ_{it}$$
$$+ \mu_{it} \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots. \ldots \ldots \ldots \ldots (ii)$$

Model 2: The effect of risk management practices on Tobin's Q of quoted manufacturing companies in Nigeria.

$$TBQ = f (LDQ, OER, LER, FRS, FGE, BSZ) \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots (iii)$$

$$TBQ_{it} = \delta_0 + \delta_1 LDQ_{it} + \delta_2 OER_{it} + \delta_3 LER_{it} + \delta_4 FRS_{it} + \delta_5 FGE_{it} + \delta_6 BSZ_{it}$$
$$+ \mu_{it} \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots \ldots. \ldots \ldots \ldots \ldots (iv)$$

Where:
MSP = Market Share Price
TBQ = Tobin's Q
LDQ = Liquidity
OER = Operational Efficiency Risk
LER = Leverage
FRS = Firm Size
FGE = Firm Age
BSZ = Board Size

$\delta_{0-\delta_6 = Estimated\ Parameters}$

$\mu_{it = Stochastic\ Error\ Term}$

4. RESULTS AND DISCUSSIONS

Table 2: Descriptive Statistics Results

	MSP	TBQ	LDQ	OER	LEV	FRS	FGE	BSZ
Mean	21.33	1.427	1.339	2.850	0.642	7.408	36.63	9.996
Median	14.35	0.982	1.009	1.037	0.582	7.437	38	10
Maximum	115	9.287	17.829	75.118	3.518	9.455	76	19
Minimum	0.200	-34.03	-0.085	0.004	0.049	0.904	0	4
Stand Dev.	22.91	2.917	1.617	6.943	0.358	0.948	18.59	3.18
Kurtosis	1.156	82.48	62.055	64.602	18.29	9.043	2.29	2.59
Skewness	3.776	-6.587	6.792	7.246	2.854	-0.968	0.055	0.45
Observation	300	300	300	300	300	300	300	300

Source: Authors' Computation (2024)

The results from the descriptive statistics indicate that the MSP and TBQ has an average value of (21.33, 1.427), median values of (14.35,0.982), max. values of (115, 9.287), and min. values of (0.200, -34.032) respectively. As regards the independent variables, LDQ, OER and LEV exhibit mean values of (1.339, 2.850, 0.642) median values (1.009,1.037, 0.582), maxi. values of (17.829,75.118,3.518) and min. values of (-0.085,0.0039,0.0493) respectively. FRZ, FGE and BSZ are the control variables used in this study. FRZ, FGE and BSZ has a mean and median values of (7.408,36.63,9.996) and (7.437, 38,10) correspondingly. Whereas their max. and min. values are (9.455,76,19) and (0.9038, 0,4) respectively. Majority of the variables in the study demonstrated positive skewness, except for TBQ and FRS. Additionally, the analysis of kurtosis indicated that MSP, FGE, and BSZ exhibited a platykurtic distribution, as their kurtosis values were below three. Conversely, the other variables did not demonstrate a platykurtic distribution.

Correlation Analysis

Table 3: Correlation and Test of Multi-collinearity

	MSP	TBQ	LDQ	OER	LEV	FRS	FGE	BSZ	VIF	1/VIF
MSP	1.000									
TBQ	0.447	1.000								
LDQ	-0.179	-0.129	1.000						1.15	0.870
OER	0.018	-0.081	-0.139	1.000					1.07	0.935
LEV	-0.287	-0.020	-.0352	0.123	1.000				1.14	0.878
FRS	0.522	0.133	-0.182	-0.175	-0.169	1.000			1.13	0.882
FGE	0.146	0.001	-0.146	0.2765	0.088	0.108	1.000		1.06	0.940
BSZ	0.555	0.159	-0.173	0.101	-0.251	0.637	0.192	1.000	1.82	0.550

Source: Authors' Computation (2024)

The correlation analysis table's results revealed a weak negative relationship between LDQ, LEV and MSP, as indicated by coefficients of (-0.179, -0.287) respectively. Whereas OER has a weak positive connection with MSP (0.018). Also, LDQ, OER, LEV also has a weak negative connection with TBQ represented with coefficients of (-0.129, -0.081, -0.020) correspondingly. Conversely, FRS, FGE and BSZ exhibited a weak positive association of (0.522, 0.146 and 0.5555) respectively with MSP. Furthermore, FRS, FGE AND BSZ also showed a weak positive connection with TOBQ, reflected in coefficient values of (0.133, 0.001, 0.159) correspondingly. These findings discovered that no substantial multicollinearity exists among the explanatory variables, allowing for the isolation of each variable's impact in the regression equation. The VIF values in the table, ranging from 1.06 to 1.82, endorse the nonexistence of multicollinearity amongst the factors under examination.

Table 4: Model 1 Regression Diagnostic and Specification Test Results (MSP)

Test	P-val.	Comments
F-test	0.0001	Pooled OLS is not recommended over panel regression.
Breusch pagan Heteroscedasticity test	0.000	There is no heteroscedasticity
Hausman Test (11.3245)	0.0624	Random Effect is most Preferred

Source: Authors' Computation (2024)

Table 5: Model 2 Regression Diagnostic and Specification Test Results (TBQ)

Test	P-value	Comments
F-test	0.000	Pooled OLS is not recommended over panel regression.
Breusch pagan Heteroscedasticity test	0.000	There is no heteroscedasticity
Hausman Test (10.567)	0.0663	Random Effect is most Preferred

Source: Authors' Computation (2024)

Panel Regression Results

Hypothesis 1: Risk management practices does not have any effect on the market share price of listed manufacturing firms in Nigeria.

Table 6: Estimated Panel Regression Analysis Results I

Variables	Coeff.	Std. Error	T-stat.	Prob.
C	-20.911	11.552	-1.81	0.071
LDQ	9.917	0.783	2.17	0.030
OER	8.159	0.176	1.96	0.049
LEV	-8.232	3.544	-2.32	0.021
FRS	3.518	1.677	2.10	0.037
FGE	0.074	0.067	1.11	0.267
BSZ	2.043	0.500	4.09	0.000
R2	0.56			
F-Stat.	13.94			
Prob>F	0.000			

Source: Authors' Computation (2024)

The panel regression table revealed the results of the analysis on the effect of risk management practices (RMP) on the market share price of quoted Nigeria manufacturing firms. The result of the Hausman test of 0.0624 in table 3 discovered that random effect is suitable for the data analysis. The results discovered in table 5 shows that LDQ and OER showed a positive and statistically noteworthy association with MSP, as indicated by the t-statistics and p-values of (2.17, 1.96) and (0.030, 0.049) correspondingly. This suggested that higher liquidity levels in a firm are linked to higher MSP, as liquidity facilitates strategic maneuvers that enable firms to capture a larger market share. Similarly, greater operational efficiency is connected with higher market value (MV) and lower operational risk. The positive impact of operational efficiency on MSP indicates that investors perceive firm's capacity to efficiently utilize resources as a driver of increased profitability and competitiveness in the market. Conversely, leverage exhibited a negative effect on MSP, buttressed by t-stat. and a p-val. of (-2.32, 0.021). This implies that higher leverage is correlated with lower market share price, and vice versa. High levels of leverage can elevate the firm's financial risk, rendering it more susceptible to economic fluctuations or shifts in interest rates, potentially eroding investor confidence and leading to a decrease in share price. The F- Stat. is 13.94 with probability of 0.000 which signifies that risk management practices have a significant influence on the market share price of quoted Nigeria manufacturing firms.

The control variables, FRS and BSZ, demonstrated a positive and noteworthy effect on MSP, as evidenced by t-stats. and p-vals. of (2.10, 4.09) and (0.037, 0.000) correspondingly. This thus indicate that larger firm size and board size are associated with higher market share price. However, firm age (FGE) displayed a negative but insignificant influence on MSP, with a t-statistic of 1.11 and a p-val. of 0.267, suggesting that firm age does not significantly impact MSP.

Hypothesis 2: Risk management practices does not have any influence on the Tobin's Q of quoted Nigeria manufacturing firms.

Table 7: Estimated Panel Regression Analysis Results II

Variables	Coeff.	Std. Error	T-stat.	Prob.
C	-2.207	1.638	-1.35	0.179
LDQ	1.102	1.111	1.98	0.047
OER	2.027	2.025	2.07	0.038
LEV	1.752	1.503	1. 97	0.048
FRS	0.452	0.238	1.96	0.049
FGE	0.018	0.009	2.05	0.040
BSZ	-0.111	0.709	-1.35	0.179
R^2	0.53			
F-Stat.	11.55			
Prob>F	0.000			

Source: Authors' Computation (2024)

The outcome of the Hausman test of 0.0663 in table 3 discovered that random effect is appropriate for the data analysis. Table 5 above revealed that LDQ has a positive and notable influence on Tobin's Q, as reflected by t-stat. and p-vals. of 1.98 and 0.047 respectively. This suggests that greater liquidity is associated with a higher Tobin's Q, and vice versa. This outcome also implies that firms can readily convert their assets into cash without experiencing significant loss in value. Similarly, OER was discovered to exert a positive and noteworthy influence on Tobin's Q (T-stat = 2.07, P-value = 0.038). This indicates that efforts to enhance operational efficiency can lead to higher profitability, improved asset utilization, or increased competitiveness, all of which could contribute to a greater Tobin's Q ratio, given that Tobin's Q compares the MV of a company to the replacement cost of its assets. Furthermore, leverage exhibited a positive and substantial impact on Tobin's Q, with t-stat. and p-vals. of 1.97 and 0.049 correspondingly. This suggests that higher leverage is related with a higher Tobin's Q. A higher leverage level is advantageous when firms utilize debt financing to fund investments that generate returns higher than the cost of debt. The F- Stat. is 11.55 with probability of 0.000 which signifies that RMP have a noteworthy influence on Tobi's Q of listed manufacturing firms in Nigeria.

Regarding the control variables, FSZ and FGE displayed a positive significance on Tobin's Q, as specified by t-stat. and p-val. of (1.96, 2.05) and (0.049, 0.040) correspondingly. These suggests that bigger firms have a higher Tobin's Q, and a higher firm age also corresponds to a greater Tobin's Q. Conversely, BSZ had an adverse and insignificant influence on Tobin's Q, implying that board size does not significantly influence Tobin's Q.

Discussion of Findings

The results pertaining to the influence of risk management practices (RMP) on market value are centered around the RMP proxy with (LDQ, OER, LEV) and the market value proxy by (MSP and Tobin's Q) of quoted Nigeria manufacturing firms. The outcomes suggest that LDQ have a positive and noteworthy effect on market share price. This indicates that sufficient liquidity enables firms to pursue growth opportunities, such as expanding operations, introducing new products, or acquiring competitors. By leveraging higher liquidity, manufacturing firms can enhance their market presence, capture larger market shares, and potentially outperform competitors who may face liquidity constraints. Liquidity permits strategic plans that enable firms to capture a larger share of the market. These findings are consistent with those of Bolek and Wolski (2012) and Sitorus & Elinarty (2017), who also found a positive and noteworthy relationship between LDQ and MSP, conflicting with the results of Olagunju et al. (2021), who reported a negative and noteworthy influence of LDQ on MSP.

Also, OER was discovered to have a positive and noteworthy impact on MSP. This suggests that investors observe the firm as having the potential to enhance operational efficiency in a manner that would increase profitability and competitiveness. This positive view may arouse demand for the firm's shares, leading to an upsurge in share price. Investors may interpret the firm's fortitudes to address operational inefficiencies as a sign of proactive management and potential for future growth, thereby positively affecting the firm's share price. Hence, operational efficiency emerges as a critical factor driving the firm's future success, potentially resulting in higher MSP. These findings align with those of Kuzucu and Kuzucu (2019), while they contradict the findings of Kumar et al. (2021), who reported that OER has no significant impact on MSP.

Moreover, LEV was identified to have a negative and noteworthy influence on the market share price of quoted Nigerian manufacturing firms. This indicates that investors are concern about the firm's debt level. Investors may become concerned about the firm's capacity to fulfill its debt commitments, resulting in reduced confidence and a lower share price. Additionally, high leverage can limit firm's flexibility in pursuing growth opportunities, potentially diminishing investor interest and share price performance. The findings of Kumar et al. (2021) validate the outcomes of this study, while the studies of Khakwani et al. (2016), Olagunju et al. (2021), and Muhammed (2017) contradict the findings of this research by suggesting that LEV has a positive and noteworthy impact on MSP. Conversely, the study by Karima and Ghazali (2023) asserted that no connection exists between the two variables. Regarding the control variables, FRS and BSZ demonstrated a positive and noteworthy impact on MSP. This specifies that larger

firm size and board size are associated with higher market share price, and vice versa. However, firm age exhibited a negative influence on MSP, suggesting that FGE does not expressively affect the firm's MSP.

The results regarding the influence of Tobin's Q on market value indicate that LDQ, OER, and LEV all revealed a positive and noteworthy effect on Tobin's Q. This suggested that RMP play a substantial role in defining market value. An increase in liquidity signifies that a company can convert its assets into cash without significant loss in value. This enhanced liquidity can lead to a higher Tobin's Q ratio because investors perceive the firm as possessing more valuable assets relative to its market value. Essentially, higher liquidity enhances the value and efficiency of the firm's assets, positively reflecting in its Tobin's Q. These findings align with those of Chen and Ho (2020), Lee et al. (2023) and Sprcic et al. (2016) while the research work by Smith and Smith (2022) presents a contrary perspective. A positive OER suggests that investors believe the firm's focus on improving operational efficiency presents an opportunity to increase the value of its assets relative to their replacement cost.

The firm's efforts to enhance operational efficiency can lead to higher profitability, improved asset utilization, or increased competitiveness, all of which contribute to higher operational efficiency. Studies by Patel and Desai (2023), Wang et al. (2024), and Zhang and Liu (2021) also found a positive and substantial impact between OER and TBQ. In contrast, Smith and Johnson (2023) and Brown and Jones (2022) identified a negative and significant connection between the two variables. Furthermore, the positive influence of LEV on TBQ implies that investors perceive the usage of debt financing as beneficial for the firm's TBQ ratio. The positive impact of LEV on TBQ depends on its prudent and effective use by the listed Nigerian manufacturing firms. Leverage can enhance the return on equity holders when the ROA exceeds the cost of debt, thereby increasing the market value of the firm relative to its assets' replacement cost, contributing to a higher TBQ. This finding is supported by Azizah, Diah, and Ratna (2020), Kafidipe et al. (2021), and Muhammed (2017), while the study by Ibrahim and Isiaka (2020) presents a opposing perspective, suggesting that LEV has an adverse and noteworthy impact on TBQ. Regarding the control variables, FSZ and FGE demonstrated a positive significance on TBQ, consistent with the results of Kafidipe et al. (2021). This suggests that larger firms have a greater TBQ, and likewise, a higher FGE is associated with a higher Tobin's Q. Contrariwise, BSZ has a negative and insignificant effect on TBQ, indicating that BSZ does not significantly influence Tobin's Q.

5. CONCLUSION AND RECOMMENDATIONS

This study extensively studied the impact of risk management practices on the market value of quoted Nigeria manufacturing firms. The global encouragement for risk management practices stalks from economic downturns, which have affected customer and stakeholder loyalty in many firms (Kanaan-Jebna et al., 2022). Firms having higher risk management practices tend to attract more investors, possibly resulting in to higher market valuations. The findings of this study, using both MSP and TBQ as measures for market value, revealed that LDQ, OER, and LEV significantly influence market value. LDQ and OER were discovered to have a positive and noteworthy impact on MSP, while LEV had a negative and noteworthy impact on MSP. Similarly, LDQ, OER, and LEV all displayed a positive and noteworthy influence on Tobin's Q. In conclusion, risk management practices significantly affect the market value of selected quoted manufacturing firms in Nigeria. Based on these outcomes, the study provided the following recommendations: companies should take advantage of their liquidity so as to enhance their market presence, capture larger market shares, and improve the efficiency and value of their assets. Additionally, firms should improve their operations to enhance efficiency, which investors may recognize as positive signals for profitability, growth, and increased market value. Furthermore, firms should avoid excessive leverage, as it can lead to loss of customer and investor confidence if the firm fails to meet its obligations promptly. Lastly, firms should strive to control liquidity risk, operational efficiency risk, and leverage risk, as these factors have tendency to increase market value, thereby enhancing profitability and growth.

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PRAKSE UPRAVLJANJA RIZIKOM I TRŽIŠNA VRIJEDNOST KOTIRANIH PROIZVODNIH TVRTKI U NIGERIJI

Izvorni znanstveni rad

Sažetak

Ovim istraživanjem se ispituje kako strategija upravljanja rizikom utječe na tržišnu vrijednost nigerijskih proizvodnih tvrtki koje kotiraju na burzi od 2013. do 2022. godine. Namjerno je odabrano 30 od 44 tvrtke u sektorima robe široke potrošnje, poljoprivrede, industrijskih dobara i konglomerata. Studija je koristila panel regresiju, korelacijsku analizu i deskriptivnu statistiku za analizu podataka. Rezultati studije su otkrili kako rizik likvidnosti (LDQ), rizik operativne učinkovitosti (OER) i rizik poluge (LEV) značajno utječu na cijene tržišnih udjela. Također, rezultati su pokazali kako LDG, OER i LEV pozitivno i značajno utječu na Tobinov Q. Zaključno, studija sugerira kako upravljanje likvidnošću, operativna učinkovitost i rizici poluge mogu značajno povećati tržišnu vrijednost nigerijskih proizvodnih tvrtki. Stoga se tvrtke potiču da ublaže ove rizike kako bi povećale tržišnu vrijednost, profitabilnost i ukupni rast.

Ključne riječi: *rizik poluge, rizik likvidnosti, rizik operativne učinkovitosti, cijene tržišnog udjela, Tobinov Q.*

JEL: G32