International Journal of Accounting and Financial Management Research And Development (IJAFMRD)
Volume 3, Issue 1, January-June 2025, pp. 30-46, Article ID: IJAFMRD_03_01_003
Available online at https://iaeme.com/Home/issue/IJAFMRD?Volume=3&Issue=1
Impact Factor (2025): 8.50 (Based on Google Scholar Citation)
Journal ID: 7740-5584; DOI: https://doi.org/10.34218/IJAFMRD_03_01_003

© **IAEME** Publication

OPEN ACCESS

EFFECT OF CASH FLOWS ON FINANCIAL PERFORMANCE OF NIGERIAN E-COMMERCE FIRMS FINANCIAL SECTOR

[1]Uduma Igwe Ukpai; [2]Owunezi Emmanuel Nzubechukwu

[1]Department of Accountancy, Akanu Ibiam Federal Polytechnic Unwana, Ebonyi State, Nigeria.

[2]Internal Audit Section, Akanu Ibiam Federal Polytechnic Unwana, Ebonyi State, Nigeria.

ABSTRACT

This study investigates the effect of cash flows on financial performance of Nigerian e-commerce firms. The study adopts an ex-post-facto research design and employs linear regression analysis to assess the relationship between cash flow variables and financial performance. Data were collected from the annual reports of three publicly available Nigerian e-commerce firms, covering the period from 2014 to 2023, using purposive sampling based on data available in the public domain. The data were analyzed using SPSS statistical software. The results indicate that cash flows significantly affect the financial performance of Nigerian e-commerce firms, emphasizing their role in enhancing liquidity. The study concludes that e-commerce firms should prioritize cash flow evaluation to improve financial performance. It recommends that the Federal Government should integrate e-commerce firm management into tertiary institution curricula and include cash flow and cash management in the annual workshops for Entrepreneurship Education instructors in higher institutions.

Keywords: Cash Flow, e-Commerce, Profitability

Cite this Article: Uduma Igwe Ukpai, Owunezi Emmanuel Nzubechukwu. (2025). Effect of Cash Flows on Financial Performance of Nigerian E-Commerce Firms Financial Sector. *International Journal of Accounting and Financial Management Research and Development (IJAFMRD)*, 3(1), 30-46.

https://iaeme.com/MasterAdmin/Journal_uploads/IJAFMRD/VOLUME_3_ISSUE_1/IJAFMRD_03_01_003.pdf

1.0 Introduction

Cash flow, the net movement of cash into and out of a business, is a critical determinant of a firm's profitability, liquidity, and long-term sustainability. Cash inflows, representing receipts, and cash outflows, representing payments, collectively form the cash flow of a firm, which is the difference between these two streams [1]. Effective cash flow management ensures that inflows exceed outflows, a priority for financial managers to maintain operational stability. Cash flows are categorized into three primary activities such as operating, investing, and financing each influencing a firm's financial performance. A net positive cash flow across these activities signals prudent management, while excessive outflows may indicate poor expense control, inadequate investment decisions, or suboptimal financing strategies [2]. Investors often scrutinize these cash flow components to assess a firm's financial health before making investment decisions Electronic commerce (e-commerce), defined as the production, distribution, marketing, sales, or delivery of goods and services through digital networks using open-standard protocols like the internet [3], has emerged as a transformative force in global economies, including Nigeria. E-commerce fosters internal and external value chains, connects isolated communities, and drives economic and social development by enhancing livelihoods and supporting worldwide economic growth. Despite its rapid growth, the e-commerce sector in emerging economies like Nigeria faces challenges, including maintaining healthy cash flows to meet financial obligations. Insufficient cash flow can lead to liquidity issues, hindering a firm's ability to pay dividends, taxes, or interest, and ultimately threatening its survival. Prior studies, such as [2], have established a significant positive relationship between cash flow and organizational performance in sectors like hospitality and print media in Nigeria. However, there is a notable gap in research exploring this relationship within the burgeoning e-commerce sector, a critical area of Nigeria's economy.

This study addresses this gap by examining the effect of cash flow on the financial performance of Nigerian e-commerce firms. The problem lies in the difficulty investors and analysts face in evaluating firm performance due to limited cash flow data, which impacts

decisions related to liquidity and solvency. Cash flow variables—operating cash flow, financing cash flow, and investing cash flow—provide insights into how cash is generated and spent, directly affecting a firm's profitability and long-term viability. Given the absence of prior studies specifically addressing this issue in Nigerian e-commerce firms, this research is both timely and necessary. The broad objective of this study is to appraise the effect of cash flow on the financial performance of e-commerce firms in Nigeria. The specific objectives are to:

1. Examine the effect of operating cash flow on the financial performance of Nigerian e-commerce firms.
2. Determine the effect of financing cash flow on the financial performance of Nigerian e-commerce firms.
3. Investigate the effect of investing cash flow on the financial performance of Nigerian e-commerce firms.

To guide the study, the following null hypotheses are formulated:

- H01: Operating cash flow has no significant effect on the financial performance of Nigerian e-commerce firms.
- H02: Financing cash flow has no significant effect on the financial performance of Nigerian e-commerce firms.
- H03: Investing cash flow has no significant effect on the financial performance of Nigerian e-commerce firms.

This study contributes to the understanding of cash flow dynamics in the e-commerce sector, offering insights for managers, investors, and policymakers to enhance financial performance and support the growth of Nigeria's digital economy.

2.0 Related Literature

2.1 Conceptual Review

2.1.1 Cash Flow

Cash flow is defined as the amount of cash or cash-equivalent which the company receives (receipts) or gives (payments) to creditors [1]. Cash flow is often used to analyze the liquidity position of a company, to give a snapshot of the amount of cash coming into the business and amount flowing out. [4] is of the view that the unavailability of finance is one of the most important factors that constrain a firm's investment. [5] stated that cash flow is the net amount of cash and cash-equivalents being 'transferred into and out of a business. At the most

fundamental level, a company's ability to create value for shareholders is determined by its ability to generate positive cash flows, or more specifically, maximize long-term free cash flow. Assessing the amounts, timing and uncertainty of cash flows is one of the most basic objectives of financial reporting. Understanding the cash flow statement which reports operating cash flow, investing cash flow and financing cash flow is essential for assessing a company's liquidity, flexibility and overall financial performance [6]. Positive cash flow indicates that a company's liquid assets are increasing, enabling it to settle debts, reinvest in its business, return money to shareholders, pay expenses and provide a buffer against future financial challenges. Companies with strong financial flexibility can take advantage of profitable investments. They also fare better in downturns, by avoiding the costs of financial distress. Even profitable companies can fail if operating activities do not generate enough cash to stay liquid [7]. This can happen if profits are tied up in accounts receivable and inventory, or if a company spends too much on capital expenditure. Investors and creditors, therefore, want to know if the company has enough cash and cash-equivalents to settle short-term liabilities.

2.1.2 Cash Flow from Operating Activities (COA)

Cash flow from operating activities (COA) demonstrates cash inflows and outflows which arise from revenues and expenses. [8] define cash flows from operating activities as the monetary effects of transactions and other events related to trade activities, which are included in the profit or loss when calculating operating profit. Operating activities are primarily drawn from an entity's primary revenue-generating activities such as Cash receipts from the sale of goods and services, fees, commissions, and other services as well as cash payments to suppliers and employees, and cash payments for income taxes. Stressing further,

[9] stated that cash payments for inventories, operating expenses, taxes, interests and dividends are considered as the cash outflows. [10] as well as [11] dwelt on the methods available for the determination of cash flows from operating activities.

2.1.3 Cash Flow from Financing Activities (CFA)

Cash flows from financing activities are cash inflows and outflows associated with obtaining cash from external sources for the purposes of financing the firm and its operations [12]. Cash from financing activities (CFA) is a section of a company's cash flow statement, which shows the net flows of cash that are used to fund the company [13]. To [14], financing activities include transactions involving debt, equity, and dividends, Cash from financing activities provides investors with insight into a company's financial strength and how well a company's capital structure is managed. Cash from financing activities is a line item in the statement of cash flows. The line item contains the sum total of the changes that companies

experienced during a designated reporting period that were caused by transactions with owners or lenders to either: provide long-term funds to the company or return those funds to the owners or lenders. Cash investments of company owners refer to share repurchases which arise due to their sale by some shareholders [15]. They influence financing activities adversely. On the other hand, cash dividends are one of the ways to utilize money in companies. Therefore, they have the same effect as cash repayments on cash flows from financing activities [16]. Financing activities may produce cash inflows or outflows which are affected by financial strategies of companies. For instance, in the period of expansion, cash inflows are usually observed since there could be insufficient cash flows from operating activities which require the sale of shares or debt securities for the maintenance of company operations.

2.1.4 Cash Flow from Investing Activities (CIA)

The purchase and sale of long term assets form cash flows from investing activities (CIA). Cash inflows are associated with the sale of long term assets such as "property, plant and equipment. On the other hand, cash outflows occur through long term asset purchases [17]. In general, there could be a cash inflow or outflow from investing activities, which may sometimes be equal to cash outflows. Future investments determine the growth and the chance of survival of firms; "hence cash is regularly invested in productive assets. Among these assets, property, plant and equipment are essential for growth. Moreover, there could be a need for intangibles and long-term securities of other companies. As a consequence, useful information could be obtained with respect to management strategy and long term financial planning nevertheless, it is important to highlight that selling assets may arise because of companies' lack of access to funds. Therefore, this may be regarded as a serious issue for companies.

2.2 Concept of E-Commerce

To [18], e-commerce is the use of the internet for marketing, identification, payment and delivery of goods and services. The Organization for Economic Cooperation and Development [3] defines electronic commerce as a new way of conducting business, qualifying it as business occurring over networks which use non proprietary protocols that are established through an open standard setting process such as the internet. E-commerce is not just about setting up computers and businesses, but encompasses a larger scope. It is about doing business with an entirely different mindset using a medium that challenges the very basic rules of traditional ways of doing businesses. E-commerce covers a broad range of business processes and design of technology resources to assist business managers in the manner in which they interact with customers and conduct their businesses. Over the years, e-commerce has surfaced as a major base for worldwide economic growth and proved that it has the capacity to change

the economic and social structure of countries, making people able to reduce the duration of time in ordering, invoicing, making payment and delivery. This feat has become possible by surmounting lots of difficulties and employing appropriate strategies through which e-commerce could greatly influence the global economy and also changed the old-style of doing business [3]. Subsequently, internet expansion in countries is growing at a speedy rate; but the speed is not reflected in developing countries. E-commerce is of various models:

(i) Customer to Customer (C2C): this is an e-commerce model that involves consumers directly transacting with other consumers in cyberspace. According to [3], one of the behaviours that consumers exhibit is divestment; this is a process through which consumers disposes products after consumption. Normally, consumers at various levels tend to remarket the depreciated product for others to use, or throw it away if it gets damaged beyond usage. In the online environment, this model provides a way for consumers to sell to each other, with the help of online marketing tools. It includes any website where people are brought together to buy, sell, or trade. One of the common examples of this model is the eBay.com, a site that coordinates and supervise online auction,

(ii) Business to Customer (B2C) is where customers learn about products or services through electronic publishing, and buy them using electronic cash and secure payment systems, and have them Delivered electronically or through physical channels. Basically, businesses sell to the general public through catalogues utilizing shopping cart software. In order to supplement retailing activities., firms like www.234world.com, Xtaples.net, www.booking.com, www.orderbay.com, Jismia.com sell their merchandise online directly to their customers,, and banks allow consumers to enjoy various banking services such as cash withdrawals, cash transfer, etc.

(iii) Business to Business (B2B): is an electronic market transaction in which businesses, governments, and other organizations depend on computer-to- computer communications as a fast, economical, and a dependable way to conduct business transactions.

(iv) Customer to Business (C2B): this is a type of online transactions where consumers initiate trading with companies that are mostly suppliers. In this model, a consumer posts his project with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company, which suits its purpose that will complete the project. Other models include Customer to Government (C2G) Business to Government (B2G) Government to Citizen (G2C).

(v) Financial Performance (Profitability)

Financial performance (profitability) is the company's ability to generate profits and measure the level of operational efficiency in managing its assets. To [19], without any income/profit, companies will find it difficult to get capital from external parties because the level of financial performance is one of the main attractions of creditors and investors. The rise in the profit for the year refers primarily to an effectiveness of the employment of resources by the company [20]. The income generated by resources is in the form of cash or cash equivalent, meaning that profit for the year is a function of cash and cash equivalent, a major concept in cash flows analysis.

2.3 Empirical Review

[21] studied the effect of cash flow on financial performance of food and beverage firms in Nigeria, with the specific objectives as to examine the effect of cash from operating activities on profit for the year of food and beverage firms in Nigeria; to determine the extent to which cash from financing activities affect profit for the year of food and beverage firms in Nigeria and to examine how cash from investment activities affect profit for the year of food and beverage firms in Nigeria. Ex-post facto research design was adopted. The study used secondary sources of data and used listed food and beverage companies. While the analytical techniques used for the study were random panel regression models and descriptive statistics. It was revealed that cash from operating activities significantly affect profit for the year of food and beverage firms in Nigeria. Cash from financing activities has a significant effect on profit for the year of food and beverage firms in Nigeria and cash from investment activities significantly affect profit for the year of food and beverage firms in Nigeria. The study recommended that food and beverage firms in Nigeria should payout dividends as at when due and timely too as it was found out that dividend paid has significant effect on net profit margin.

[22] studied cash flow and corporate performance: a study of selected food and beverages companies in Nigeria. The broad objective of the study was to examine the relationship between cash flows and corporate performance in the Food and Beverages sector of Nigeria. The study involved a survey of Six (6) Food and Beverages companies quoted in the Nigerian Stock Exchange. Data were obtained from the annual report and accounts of the selected companies under study. The relevant data were subjected to statistical analysis using the multiple regression technique. The results of the study revealed that operating and financing cash flows have a significant positive relationship with corporate performance in the Food and Beverage Sector of Nigeria. It was also empirically verified that investing cash flow and corporate performance have significant negative relationships. The researchers recommended

that regulatory authorities such as International Accounting Standard Board (IASB), Financial Reporting Council of Nigeria (FRCN), Central Bank of Nigeria (CBN), Nigeria Exchange Group (NGX), etc. should encourage external auditors of these quoted Food and Beverages Companies to use cash flow ratios in evaluating the performance of a company before forming an independent opinion on the financial statement. This will give detailed information on the company to enable investors to make rational investment decisions.

[23] studied cash flow optimality and investment Returns: investors' expectations in listed manufacturing firms in Nigeria. The objective of this study is to expand the frontiers of the existing studies by investigating the effects of cash flows on meeting expected returns on investments. The population consisted of listed 66 manufacturing companies on the Nigerian Stock Exchange. 25 of these manufacturing companies were purposely selected for a period of 10 years (2010-2019). The study employed data obtained from the published financial statement of the selected manufacturing companies. Panel data analysis was employed while diagnostic tests were carried out and an application of the Hausman test provided the criteria for choosing between Random Effect Models and Fixed Effect Models. Jarque Bera Normality, Breusch, and Pagan Lagrangian multiplier tests were conducted to confirm the Hausman test results in order to decide between Random Effects and Pooled OLS. The study found that cash flow optimality had a positive statistically significant return on assets. Furthermore, the study revealed that cash flow optimality exhibited a positive statistical effect on Tobin's Q. Thus, the study recommended that since the essence of investment is the expected returns, managers of manufacturing companies should ensure that all strategic decisions are channeled towards this direction, and ensure efficient resources management and cash flow optimal management towards meeting investor returns expectations.

[24] carried out a study on cash flow management and financial performance of quoted oil and gas firms in Nigeria. This study specifically, focused on evaluating the effect of cash flow management on the financial performance of oil and gas companies in Nigeria. The work was anchored on the Stakeholders' Theory as it employed the judgmental research design. Data were obtained from the annual reports of five selected listed firms for five years (2013-2018) and analyzed with correlation and multiple regression techniques. The results obtained established that cash flows from operating and investing cash flows had a negative and insignificant relationship with profitability whereas cash flow from financing activities had positive and significant influence on firm performance in the oil and gas sector. It was recommended that firms should reevaluate their cash flow management strategies in order to

enable them operate more profitably as well as generate cash flows sufficient enough to meet their daily cash needs as they fall due.

2.4 Theoretical Framework

2.4.1 Pecking order theory

Pecking order theory was first suggested by Donaldson in 1961 and it was modified by Stewart C. Myers and Nicolas Majluf in 1984. Pecking order theory states that firms prefer to finance new investment, first internally with retained earnings, then with debt, and finally with an issue of new equity [25]. It is argued that an optimal capital structure is difficult to define as equity appeal's at the top and the bottom of the 'pecking order'. Internal funds incur no flotation costs and require no disclosure of the firm's proprietary financial information that may include firm's potential investment opportunities and gains (that are expected to accrue as a result of undertaking such investments. The pecking order theory is about what the firm's management prefers; a pecking order of alternative sources of finance that firm faces. First, firms chose internal finance that is using profits from previous years. Second, if there is no internal finance available, firms choose to lend money from credit institutions such as banks. Third, only as a last option will firms issue new shares. Basically, the pecking order theory says that management favours internal financing to external financing. [26] discussed in his article the capital structure puzzle why this pecking order is used by numerous firms, because it clearly goes against shareholder's interests in returns. In a managerial view it has been stated that "professional managers avoid relying on external finance because it would subject them to the discipline of the capital market". Another important issue is transaction costs; internal financing is cheaper than external funding since the latter is associated with great costs. The pecking order theory tries to explain why most profitable firms use internal financing; the easy reason for this is that they do not need to make use of external funding. The other extreme, less profitable businesses do not possess enough internal capital and have to seek for external funding. [25] pointed out that profit retention has an opportunity cost. The more business owners are willing to risk, the higher the possible profits, The pecking order approach is relevant for small businesses since costs associated with external financing are higher for small firms than for large businesses. [27] argued that the pecking order Theory could easily be applied to e-commerce firms since the managers of most of the firms usually are at the same time shareholders and they may not want to lose control of their businesses. The theoretical framework is anchored on the Pecking Order Theory based on the premise that it discusses the movement of cash flow in organizations where most profitable organizations use internal financing firstly with retained earnings, then with debt, and finally with an issue of new equity.

3.0 Methodology

3.1 Research Design

The researcher adopted ex-post facto research design as the research relied on already existing data recorded events, which means that researchers do not have control over the relevant dependent and independent variables they are studying, with a view to manipulating them.

3.2 Sources of Data

The study used secondary data covering a period of 10 years: 2013 - 2023, obtained from the financial statements of the selected Nigerian e-commerce firms. The variables were derived from the data extracted being cash from operating activities, cash from financing activities, cash from investing activities and profit for the year. The researcher used a purposive sampling method, selecting only the financial statements of Nigerian e-commerce found on public domain.

3.3 Description of Model variables

The two key variables of the study relate to cash flow analysis and financial performance of Nigerian e-commerce firms. From the cash flow analysis part, the variables are Cash from Operating Activities (COA), Cash from Financial Activities (CFA) and Cash from Investing Activities (CIA), while profit for the year(PY) was used as a proxy for financial performance of selected listed Nigerian e-commerce firms. For the purpose of conducting the study, profit for the year was used as a dependent variable while Cash from Operating Activities (CO A), Cash from Financial Activities (CFA) and Cash from Investing Activities (CIA) of selected listed Nigerian e-commerce firms were used as independent variables.

Profit for the Year is a financial indicator which measures the company's performance (profitability). This was chosen as one of the variables because of its ability to show how profitable a company's resources are in generating revenue.

PY = Excess of Total Receipts over Total Expenses. COA = Receipts In and Out of Operating Activities CFA = Receipts In and Out of Financing Activities CIA = Receipts In and Out of Investing Activities

3.3 Model Specification

The model of the study was based on the classical linear regression model. The profit for the year was used as the dependent variable while the independent variable/explanatory variables were cash from operating activities, cash from financing activities, cash from investing activities, giving a regression equation as:

PY = f(COA, CFA, CIA) ………………………… (1) Where:

PY -Profit for Year

COA = Cash for Operating Activities CFA = Cash for Financing Activities CIA - Cash for investment Activities In a regression form, it will become:

$$PY_t = \beta_0 + \beta_1 COA_t + \beta_2 CFA_t + \beta_3 CIA_t + \mu \qquad (2)$$

β_0 = Constant Term

β_1 = Coefficient of COA

β_2 = Coefficient of CFA

β_3 = Coefficient of CIA

μ, = Error Term

4.0 Method of Data Analysis

The study employed a regression model with panel data covering a period of 10 years: 2014 – 2023.

4.1 Data Analysis and Results

This section presents the data analysis and result of the study. As given earlier, Ordinary Least Square Regression (OLS) was employed to measure the strength or weakness of the association between the variables in the study.

Table 1: Pooled OLS regression result

Variables	Coefficient	Standard error	T-value	p-value
Constant	3.265e+05	1.4123e+05	2.3123	0.0289
COA	-0.4016	0.8732	-0.4599	0.6494
CFA	-1.2661	0.1963	-6.4486	0.0000
CIA	2.2729	0.2724	8.3438	0.0000
R-square	0.7635			
Adjusted R-square	0.7362			
F-statistic	27.072 ($p<0.01$)			

The pooled OLS regression analysis results on Table 1 above shows that the coefficient of determination R-square which is a goodness of fit measure is 0.7635, the F-statistic value is

27.072. The R-square value revealed that about 76% of the total variations in the profit variable were accounted for by the independent variables COA, CFA and CIA, while only 24% were accounted for by other variables not considered in this study. The F-statistic value and its associated p-value ($p<0.05$) reveals that the model specified in this result is adequate. Hence, the result of the analysis performed can be used for analysis and discussion.

4.2 Research Hypothesis One:

HO1: There is no significant effect of cash flows from operating activities (COA) on financial performance of Nigerian e-commerce firms. To test the hypothesis One, an ordinary least square regression was employed on the three variables to know if the independent variable (profit for the year – PY) would predict the dependent variables (cash from operating activities – COA; cash from financing activities – CFA; and cash from investing activities – CIA). The result of the analysis is given below

Table 2: Pooled OLS regression result

Variables	Coefficient	Standard error	T-value	p-value
Constant	3.265e+05	1.4123e+05	2.3123	0.0289
COA (β_1)	-0.4016	0.8732	-0.4599	0.6494
R-square	0.7635			
Adjusted R-square	0.7362			
F-statistic	27.072 ($p<0.01$)			

Table 1 above shows the prediction of cash flows from operating activities (COA) on financial performance of Nigerian e-commerce firms. The analysis reveals that cash flows from operating activities (COA) would significantly influence ($F = 27.072$, $R^2 = 0.7635$, $p<0.05$) on financial performance of Nigerian e-commerce firms.

In addition, the analysis table shows that 76.35% variation in financial performance of Nigerian e-commerce firms can be explained by the level of cash flows from operating activities (COA). Also, the analysis reveals that cash flows from operating activities (COA) as a variable independently influence financial performance of Nigerian e-commerce firms (**P<.05**, β_1= -0.4016). Therefore null hypothesis is rejected and alternate hypothesis stands accepted.

4.3 Research Hypothesis Two:

HO2: There is no significant effect of cash flows from financing activities (CFA) on financial performance of Nigerian e-commerce firms.

Table 3: Pooled OLS regression result

Variables	Coefficient	Standard error	T-value	p-value
Constant	3.265e+05	1.4123e+05	2.3123	0.0289
CFA (β_2)	-1.2661	0.1963	-6.4486	0.0000
R-square	0.7635			
Adjusted R-square	0.7362			
F-statistic	27.072 ($p<0.01$)			

($F = 27.072$, $R^2 = 0.7635$, $p<0.05$)

Table 2 above shows the prediction of cash flows from financing activities (CFA) on financial performance of Nigerian e-commerce firms. The analysis reveals that cash from financing activities – CFA would significantly influence ($F = 27.072$, $R^2 = 0.7635$, $p<0.05$) on financial performance of Nigerian e-commerce firms.

In addition, the analysis table shows that 76.35% variation in financial performance of Nigerian e-commerce firms can be explained by the level of cash from financing activities – CFA. Also, the analysis reveals that cash from financing activities – CFA as a variable independently influences financial performance of Nigerian e-commerce firms (**P<.05**, β_1=-1.2661). Therefore null hypothesis is rejected and alternate hypothesis stands accepted.

4.4 Research Hypothesis Three:

HO3: There is no significant effect of cash flows from investing activities (CIA) on financial performance of Nigerian e-commerce firms.

Table 4: Pooled OLS regression result

Variables	Coefficient	Standard error	T-value	p-value
Constant	3.265e+05	1.4123e+05	2.3123	0.0289
CIA (β_3)	-2.2729	0.2724	8.3438	0.0000
R-square	0.7635			
Adjusted R-square	0.7362			
F-statistic	27.072 ($p<0.01$)			

($F = 27.072$, $R^2 = 0.7635$, $p<0.05$)

Table 3 above shows the prediction of cash from investing activities – CIA) on financial performance of Nigerian e-commerce firms. The analysis reveals that cash from investing activities – CIA) would significantly influence ($F = 27.072$, $R^2 = 0.7635$, $p<0.05$) on financial performance of Nigerian e-commerce firms.

In addition, the analysis table shows that 76.35% variation in financial performance of Nigerian e-commerce firms can be explained by the level of cash flows from investing activities (CIA). Also, the analysis reveals that cash flows from investing activities (CIA) as a variable independently influence financial performance of Nigerian e-commerce firms ($P<.05$, $\beta_3= -2.2729$). Therefore null hypothesis is rejected and alternate hypothesis stands accepted.

4.5 Summary of findings

From the analysis, it was observed that COA and CFA are negative (-0.4016 and -1.2661). The COA was found to be insignificant while the CFA is found to be highly significant ($p<0.01$). This implies that the CFA has a pronounced negative effect on profit over the year than the COA. Consequently, it can be deduced as COA and CFA increases by a unit profit over the year decreases by 0.4016 and 1.2661 respectively.

The CIA value is positive and highly significant. This indicates a direct relationship between the CIA and profit. Hence, a unit increment on CIA will tend to increase the profit by 2.2729. Finally, it could be seen from the analysis that the effect of these variables (COA, CFA, & CIA) on profit when not considered might make the value of profit to remain zero.

5.0 Conclusion

From the study, it is concluded that cash flows significantly affect financial performance. Therefore, Nigerian e-commerce firms should prioritize the evaluation of financial performance through cash flow analysis, as this would greatly enhance their liquidity and profitability. It is recommended that the Federal Government introduce the management of e-commerce firms into the curricula of tertiary institutions and recognize it as part of an emerging market. Additionally, cash flow and cash management should be incorporated into the annual workshops organized for teachers of Entrepreneurship Education in Tertiary Institutions. This study has examined the effect of cash flow on the financial performance of Nigerian e-commerce firms and provides valuable insights. It highlights the critical role of cash flows in profitability, emphasizing the need for entrepreneurship education managers to focus more deeply on cash flow concepts, thereby encouraging the government to embed this into the curriculum to prepare young entrepreneurs for future ownership or management of e-commerce firms. The study also serves as a blueprint for the Federal Government to support young Nigerian entrepreneurs through improved financial reporting regulations, financial support, and incentives such as free business registration. Furthermore, this research contributes to academic

literature in the field of accounting and corporate reporting, providing a useful reference for student research. Covering a ten-year period from 2014 to 2023, it fills a notable gap in the literature, as no existing studies were found to have examined the relationship between cash flows and Nigerian e-commerce firms during this time frame, making this work a significant addition to the knowledge base.

References:

[1] Akinloye, I. R (2013). Effect of capital structure on firm's performance: The Nigeria experience, European Journal of Economics, Finance and Administrative Sciences, 10(5), 233-243.

[2] Nwanyanwu, K. (2015). Cash flow and organizational performance in Nigeria: hospitality and print media industries perspectives. European Journal of Business, Economics and Accounting 3 (3), 66-70.

[3] OEQD (2023). E-commerce: The economic landscape. Retrieved from www.google.com.

[4] Akpan,A. B. (2017). Effectives of Banks capitalization and consolidation in building market confidence: an assessment of customer's perception in Nigeria. Abuja Journal of Business Administration, 14(7), 82-91.

[5] Bingilar, P.F & Oyadongham, K.J (2014).Cash flow and corporate performance. A study of selected brewerys companies in Nigeria. European Journal of Accounting Audit and Finance Research, 2 (7), 77-87.

[6] Ali, M, Alireze, A. & Jalal, A. (2013). The association between various earnings and cash flow measures of firm performance and stock returns: some Iranian evidence. International Journal of accounting and financial reporting. 3(1), 24-39.

[7] Akram, B. (2017).Dividend payment and its impact on the value of firms listed on Istanbul stock exchange: A residua) income approach. International Journal of Economics and Financial Issues, 2017(2), 370-376.

[8] Adegbie, E. & Fakile. A. (2018). The relationship between company income tax and Nigeria's economic development for the period 1981 - 2007, Global Journal of Management and Business Research. 11(96), 1-5.

[9] Gombola, M. J., & Ketz, J. Edward (2016). Financial ratio patterns in retail and manufacturing organizations. Financial Management Journal, 12(2), 77 - 87.

[10] Habib, A. (2018). Growth opportunities, earnings permanence and the valuation of free cash flow, Australasian Accounting Business and Finance Journal, 5(4), 101 -122.

[11] Foyekea, O. I., Olusola, F. S, &. Aderemi, A. K. (2016). Financial structure and the profitability of manufacturing companies in Nigeria (2008 -2012), Journal of Accounting, Finance and Auditing Studies, 2 (3), 56-63.

[12] Adedeji, H, & Oboh, I. (2017). Effects of tax revenue on economic growth of Nigeria, International Journal of Business and Social Science. 5(2), 302-309.

[13] Kohler, M., Dullmann, K., Herrmann, H. & Memmel, C. (2013). Does non-interest income make banks more risky? European Journal of Business, Economics and Accounting 3 (3), 16-20.

[14] Altman, E. 1. (2013). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. The Journal of Finance, 23(4), 54 - 66.

[15] King'wara, R. (2015). The relationship between financial flexibility and dividend payouts: a case of listed firms in Kenya. European Journal of Business and Management, 7(3), 51-58.

[16] Kariuki, M. N &Ngahu, J. (2016). Effect of interest rates on loan performance of microfinance institutions in Naivasha sub-county, Kenya. International Journal of Economics, Commerce and Management United Kingdom, 4 (24), 111 – 123

[17] Chiang, L.C., Shih-Jui., V., & Chi-Hung, C, (2014). Non-interest income, profitability, and risk in banking industry: A cross-country analysis.

[18] Okolie, U. C. & Ojomo A. H (2022). E-commerce in Nigeria:L Benefits. Humanities and social science Latvia 28(2), 69 – 90.

[19] Ukpai, U. I. (2013). Understanding Advanced Financial Accounting 1 (IFRS Edition). Igweze Printing Press: Publishers, Enugu.

[20] Robinson, T. R,, Banry, E., Pirie, V. L and Broihahn, M. A. (2015), International statement Analysis (3rd edn), Hoboken, New Jersey: Wiley.

[21] Odo, O. J. & Theophilus O. M (2021). Effect of cash flow on financial performance of food and beverage firms in Nigeria. European Journal of Accounting, Finance and Investment 7(5), 1 – 27.

[22] Frank, B. P. & James O. K (2014). Cash flow and corporate performance: A study of selected food and beverage firms in Nigeria. European Journal of Accounting, Auditing and Finance Research 2(2), 77 – 87.

[23] Aguguom, T. A (2020). Cash flow optimality and investment returns: Investors expectations in listing manufacturing firms in Nigeria. Asian Journal of Economics, Business and Accounting. 16(4), 39 – 50.

[24] Nangih, E., Ofor, T. N., & Onuorah J. K. J. (2020). Cash flow management and financial performance of quoted oil and gas firms in Nigeria. Journal of Accounting and Financial Management. 6(4), 1 – 11.

[25] Odesa, J. O. & Bkezie, A. (2015). Determinants of dividend policy in quoted companies in Nigeria. African and Global Perspectives. 1(1), 1-13

[26] Okafor, M. (2018). Impact of income tax revenue on the economic growth of Nigeria, Journal of Abnormal Psychology, 67,422-436

[27] Nwanyanwu, K. (2015). Cash flow and organizational performance in Nigeria: Hospitality and print media industries perspective, European Journal of Business, Economics and Accounting, 3(3), 66-70

Citation: Uduma Igwe Ukpai, Owunezi Emmanuel Nzubechukwu. (2025). Effect of Cash Flows on Financial Performance of Nigerian E-Commerce Firms Financial Sector. International Journal of Accounting and Financial Management Research and Development (IJAFMRD), 3(1), 30-46.

Abstract Link: https://iaeme.com/Home/article_id/IJAFMRD_03_01_003

Article Link:
https://iaeme.com/MasterAdmin/Journal_uploads/IJAFMRD/VOLUME_3_ISSUE_1/IJAFMRD_03_01_003.pdf

Copyright: © 2025 Authors. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

Creative Commons license: Creative Commons license: CC BY 4.0

✉ **editor@iaeme.com**