



Does Risk Management Drive Financial Performance of Companies in Era of Digital Transformation?

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Abstract

The study investigates whether risk management drive financial performance of companies in era of digital transformation in Nigeria. Digital transformation era spanning from the period 2014-2024 and ex-post-facto research design were used. Two (2) risk management measures, liquidity and capital adequacy risks and one(1) financial performance measure was employed. The study obtained a sample of fifteen (15) industrial and consumer goods companies listed on Nigerian Exchange Group. Data obtained were analyzed via a combination of descriptive, regression diagnostic and inferential statistical tools. The panel-corrected standard errors regression result revealed that liquidity risk (Z-score = 7.37; Probability = $0.000 < 0.05\%$), and capital adequacy risk (Z-score = 6.57; Probability = $0.000 < 0.05\%$) significantly affect the level of financial performance. The implication is that efficient risk management vis-à-vis liquidity and capital adequacy risks drive financial performance, particularly in era of digital transformation. The study recommends among others that the management of listed industrial and consumer goods companies should consider incorporating broader and industry-specific risk management systems like operational, supply chain, and foreign exchange risks together with traditional financial risks in their risk management framework. Also, there is the burning need for more inclusive digital system in the risk management frameworks of listed industrial and consumer goods companies in Nigeria. This study contributes to knowledge as it offers a more critical assessment of risk-performance relationship of industrial and consumer goods companies in era of digital transformation.

Keywords: Risk management; Liquidity risk; Capital adequacy risk; Credit risk; Digital era

Introduction

Practically, business's main goals are to maximize shareholders' wealth, earn a profit and run smoothly. Consistent profitability allows businesses to provide important stakeholders, including shareholders, creditors, and employees, with sufficient returns even in difficult or uncertain business circumstances. However, this goal may be hampered by a number of dangers, particularly in era of digital transformation (Adebayo & Olamide, 2021). Olawole (2024) asserts that effective risk management can improve organisational performance in every industry. Better financial results are supported, strategic planning is strengthened, service delivery is enhanced, competitive advantage is sharpened, resource utilisation is optimised, and unforeseen disruptions are reduced.

Proactive risk management, according to Ojo and Olaleye (2022), entails ongoing risk identification and assessment in order to help avert unanticipated circumstances that might interfere with operations. Risk management is more important than ever during pandemics, global crises, and digital change because it enables businesses to take advantage of

opportunities while reducing risks. When a business's revenue surpasses its operating and indirect expenses and shareholder wealth rises as a result of consistent dividend payments and capital gains connected to the expansion of the business, profitability is achieved (Johnally & Toyin, 2023). Protecting assets and cutting costs require an understanding of business risks, whether they be accidental, financial, strategic, or operational. Effective risk management guarantees a safe investment for all parties involved.

Avoiding significant unforeseen consequences, whether favourable or unfavourable, that diverge from businesses' expectations is the main objective of risk management. By continuously recognising and reducing possible risks, firms can more effectively accomplish their financial objectives through effective risk management. Strong risk management skills set sustainable and productive manufacturing companies apart (Uwuigbe & Fakile, 2020). Identification of risk patterns and evaluation of the efficacy of controls are further facilitated by a strong risk management system, which includes ongoing monitoring, cyber-security awareness, and internal audits. According to Fali, Nyor, and Mustapha

(2020), the first step in the risk management cycle is to match risk initiatives with organisational realities and strategic goals. Inherent hazards are identified, risk analysis and appraisal are carried out, reporting, decision-making, treatments, monitoring, and residual risk assessment are the next steps in this process.

Furthermore, to maximise success and reduce failure, organisations must manage risk in a proactive and strategic manner by incorporating it into their everyday operations. According to Adamgbo, Toby, Momodu, and Imegi (2019), risk management is an essential component of business that lowers the likelihood of losses and aids organisations in achieving their objectives. Management must identify susceptible regions and possible exposures in order to protect against financial risks. The relationship between risk management and financial performance is still unknown, despite the fact that numerous research have examined how risk management influences financial risk in Nigerian manufacturing organisations. Although it is generally accepted that risk management improves performance, the fundamental issue is the mismatch between risk management and the financial performance of Nigeria's publicly traded consumer goods and industrial enterprises in the age of digital transformation. Arising from the above discuss, the study was set out to achieve two (2) specific objectives:

- (i) To examine the effect of liquidity risk on financial performance of listed industrial and consumer goods companies in Nigeria; and
- (ii) To ascertain the effect of capital adequacy risk on financial performance of listed industrial and consumer goods companies in Nigeria.

Review of Related Literature

Risk Management

Owolabi and Ajayi (2021) noted that business risk is the uncertainty that exists in a company's operating environment, which is frequently demonstrated by fluctuations in operating income and can have a negative impact on profitability. Risk management is the process of identifying, evaluating, prioritising, and mitigating the negative effects that uncertainty causes (Uwuigbe & Fakile, 2020). In this context, risk management is a structured approach to minimising the negative outcomes of specific events. Risk is an exposure to threats or uncertainty, and while it can present challenges, it can also provide economic benefits, as firms can make significant profits by taking calculated risks.

According to Oluwagbemi and Adebisi (2021), risk is inextricably linked to opportunities and threats that may have an impact on planned activities or results. Risk, according to Oluwagbemi and Adebisi (2021), is "uncertainty that matters" in a business context.

The possibility that actual returns will differ from predicted returns is a common definition of risk in the context of finance. Okoye and Eze (2020) opined that risk management is a thorough procedure carried out by the board, executives, and employees of an organisation. It is included into enterprise-wide initiatives and strategic planning with the goal of identifying possible occurrences that might have an impact on the company and controlling these risks to manageable levels.

Consequently, this provides an acceptable level of certainty that the organization's goals will be met. The fundamental steps in the risk management process are risk identification, assessment, and mitigation, followed by activity monitoring and control that may result in losses, usually monetary ones. A systematic and generally recognised strategy to risk management is described in project management literature (Ogunode, Awoniyi & Ajibade, 2022). Ogunode et al. (2022) assert that choosing the right risk mitigation technique lowers the uncertainty associated with a risk as well as the possibility or impact of it happening.

Liquidity Risk

Liquidity risk and operational funding liquidity risk are the two primary parts of liquidity risk. According to Eze and Okoye (2020), operational funding liquidity is the company's capacity to handle daily cash flow, whereas asset liquidity is the ease with which a corporation may turn its assets into cash in times of unexpected or pressing need. If a business cannot make enough money to pay for its basic operational costs, a large or seasonal decline in sales could be a major concern. This explains why analysts and investors closely consider metrics like free cash flow when evaluating a company's investment prospects and emphasises the significance of efficient cash flow management for business sustainability (Ene & Inyang, 2021).

Liquidity, as defined by Ene and Inyang (2021), is the ease and speed with which a security or asset can be exchanged for money on the market. Two primary categories of liquidity risk can be distinguished. The first is cash flow risk, often known as funding risk, which relates to a business's capacity to pay its debts. Corporate treasurers must make sure there are enough money on hand to cover liabilities, therefore this is a top priority (Odubuasi et al., 2020). The fast ratio and the current ratio are typical measures of this risk. The inability to sell an asset quickly without compromising its value is known as market or asset liquidity risk, or simply when assets become difficult to liquidate.

According to Ndubuisi (2022), liquidity risk is the incapacity of organisations or people to meet short-term financial obligations since it is difficult to turn assets into cash without suffering losses. Businesses might be compelled to sell securities or other assets below their market value in such a scenario. Poor

market efficiency, cash flow constraints, the asset's nature, urgency, and unfavourable market conditions are some of the causes of this (Egbunike & Okoye, 2020). Egbunike and Okoye (2020) added that it is critical for investors and businesses to comprehend and control liquidity risk. It helps individuals make wise choices, guaranteeing that they can continue to fulfil their financial commitments. Entities may purchase assets that are challenging to sell without incurring losses or financial pressure if they are not properly informed of the risks associated with liquidity.

Capital Adequacy Risk

Given Nigeria's economic instability and regulatory requirements, Capital Adequacy Risk (CAR) is still a major concern for publicly traded manufacturing enterprises in the nation. Maintaining a strong capital base is crucial for a company's ability to withstand financial shocks and remain resilient during recessions (Ogunode et al., 2022). The efficiency with which manufacturing companies in Nigeria handle their capital structure is a crucial component of CAR. According to research, keeping enough funds on hand is essential for reducing risks, particularly those associated with debt and market volatility. For instance, the study by Ogunode et al. (2022) highlights the significance of optimising capital composition to maintain profitability and lower financial risk, noting that the capital adequacy ratio influences both risk exposure and profitability.

Numerous studies indicate a high correlation between a firm's capital strength and its financial stability, generating significant scholarly interest in the relationship between capital adequacy and financial success. Maintaining sufficient capital levels is essential for Nigerian manufacturing companies to manage operational risks like credit exposure and liquidity issues. Adequate capital acts as a safeguard against these dangers, especially when the economy is unstable. According to research by Asogwa and Isinguzo (2017), companies that use good capital management techniques typically outperform their competitors and are better equipped to handle market volatility, which is a prevalent problem in Nigerian company.

Furthermore, a firm's liquidity is directly impacted by CAR. A healthy capital adequacy ratio not only increases liquidity but also allows businesses to pay their financial obligations without sacrificing operational performance, according to numerous studies conducted in Nigeria. On the other hand, inadequate capital management can lead to shortages in liquidity, which increases a company's vulnerability to outside financial strains. According to Adamgbo et al. (2019), having enough capital reserves improves a company's liquidity position and lowers its vulnerability to financial instability. Another crucial element in controlling capital adequacy concerns for Nigeria's listed manufacturers

is regulatory oversight. Minimum capital requirements are set by standards like the Basel III framework to make sure businesses can survive economic crises.

According to Olawale (2024), Nigeria's capital adequacy regulations support the stability of individual businesses as well as the overall well-being of the financial system. Stricter adherence to these guidelines is recommended by the study in order to protect businesses from systemic threats and guarantee their long-term survival. In conclusion, the long-term prosperity of Nigerian listed manufacturing companies depends on their ability to successfully manage capital adequacy risk. Businesses can manage liquidity, absorb losses, and reduce their vulnerability to external risks with the support of a solid financial foundation. There is proof that risk management and financial performance are closely related to capital adequacy levels. Therefore, in the face of persistent economic uncertainty, manufacturing enterprises must prioritise capital optimisation and regulatory compliance in order to achieve sustainable growth and financial resilience.

Financial Performance

Performance is a general term that describes some or all of an organization's operations during a given time period, frequently in connection with managerial accountability, cost effectiveness, and other relevant aspects. As a result, performance encompasses both the calibre of results attained and task execution. It is a gauge of an organization's operational state, success, and compliance with objectives (Adeniyi & Ojo, 2021). Performance, according to Akinleye and Olanipekun (2021), is the process of calculating the financial results of a business's plans and operations. They stress that performance gives information about a company's financial health over a specific time period by showing how well it is reaching its goals and adhering to standards.

Financial performance can also be used to evaluate the success of the industry as a whole or to compare similar businesses within the same industry. A important component of financial performance is profitability; return on asset (ROA) is a crucial indicator of how well a business uses its assets to produce net income (Adeniyi & Ojo, 2021). According to Adeniyi and Ojo (2021), a higher ROA denotes more effective resource use. Since it shows how well management can generate profits from the company's asset base, ROA is frequently considered a crucial accounting metric of performance. It is computed by dividing total assets by earnings after taxes. ROA served as the study's financial performance metric.

Theoretical Framework

A number of theoretical frameworks aid in the comprehension of risk management systems in

businesses. Stakeholder theory, resource dependence theory, neo-institutional theory, and conventional models like financial and agency theory are among them. Agency theory, which sees the company as a contractual arrangement between managers (agents) and shareholders (principals), is frequently used to analyse corporate risk management. While shareholders trust managers to work in their best interests, managers are given the power to make decisions (Jensen, 1983 referenced in Adeniyi & Ojo, 2021). However, because it focusses exclusively on the financial structure of organisations, this framework has a limited reach.

Furthermore, it draws attention to conflicts of interest that develop when management and stockholders have unequal access to information. In order to reduce management-related risks, Jensen (1986), referenced in Akinleye and Olanipekun (2021), highlighted the necessity of procedures that match managerial interests with those of shareholders. These mechanisms might be external, like market-based forces like takeover threats or the auditing profession, or internal, like legal frameworks like the board of directors and general meetings. Stakeholder theory, on the other hand, broadens the conventional business viewpoint to encompass all stakeholders in addition to shareholder interests.

Akinleye and Olanipekun (2021) assert that the notion of stakeholders expands managerial accountability and promotes more inclusive decision-making. It sees the firm as a coalition of different interest groups and is one of the most often used frameworks in academic discourse. According to Freeman, this viewpoint empowers managers to make more advantageous and strategic choices. However, Donaldson and Preston delineated three aspects of stakeholder theory: Descriptive (which explains how firms actually function and interact with their environment); Instrumental (which demonstrates how managing stakeholder relationships helps achieve firm objectives); and Normative (which legitimises the interests of stakeholders, not just shareholders, and provides an ethical foundation for decision-making).

The manager's position is thus reshaped by stakeholder theory, which proposes that in order to lower risks and improve total value creation, they should endeavour to balance the interests of all stakeholders involved in the company. Another viewpoint is provided by the new institutional economics perspective. It looks at how businesses legitimise themselves by embracing socially and culturally accepted practices. To preserve the legitimacy of their company, managers try to match their choices—whether in financing, governance, or investment—with what society expects (Suchman, 1995 cited in Adeniyi & Ojo, 2021). The idea that a company's actions are consistent with recognised standards and values is what is meant by legitimacy in this context. In addition to strategic considerations,

decisions like changing the board's size are taken to satisfy social legitimacy requirements. More responsible behaviour may result from managers being inspired to better manage social and environmental risks by this emphasis on legitimacy. Furthermore, this hypothesis suggests that by lowering the firm's risk exposure, shareholders could seek to draw in large investors (blockholders).

Empirical Studies

Ososunmakpor and Okoro (2023) looked into the connection between the firm value of quoted banks in Sub-Saharan Africa and enterprise risk management by using a post-examination research design. A sample of twenty-seven (27) commercial banks was gathered from three (3) Sub-Saharan African regions: South Africa, Kenya, and Nigeria. The firm value (Tobin's Q) is the dependent variable, and enterprise risk management (as determined by enterprise risk management size, independence, and disclosures) is the independent variable. The annual reports and accounts of the banks in Sub-Saharan Africa that were sampled between 2012 and 2021 provided secondary data. Inferential statistics (principal component analysis, fixed and random effects panel data regression), diagnostic statistics (variance inflation factor, heteroscedasticity, Ramsey regression specification-error test, Cameron and Trivedi's decomposition of IM-test), and descriptive statistics (mean, median, standard deviation, kurtosis, skewness, and Pearson correlation) were used to analyse the data. According to the fixed and random effects panel data regression results, enterprise risk management size insignificantly and negatively affects firm value in Sub-Saharan Africa, whereas enterprise risk management independence and enterprise risk management disclosure positively and significantly affect firm value.

Isedu and Erhabor (2021) used regression analysis to look at how financial risks affected the performance of Nigerian deposit money institutions. The performance of the bank was not adversely affected by the combined financial concerns. In particular, market risk, interest rate risk, and operational risk did not significantly affect bank performance over the study period, whereas credit risk did not exhibit a significant link with performance. Liquidity risk, on the other hand, had a considerable impact. Efuntade and Akinola (2020) used panel regression to examine the financial performance and business features of Nigerian manufacturing companies from 2005 to 2018. They concluded that there is a considerable relationship between firm characteristics and performance, noting that ROA is strongly influenced by business size, age, liquidity, sales growth, and leverage.

The financial risk and performance of commercial and service enterprises listed on the Nairobi Securities Exchange (NSE) were examined by Onsongo, Muathe, and Mwangi (2020). Credit risk

had a positive but negligible impact on ROE, liquidity risk had a considerable negative impact, and operational risk had a positive but negligible impact, according to their analysis of panel data from 2013–2017 using an explanatory research design and a random effects model. While the negative liquidity coefficient indicated liquidity issues with current liabilities exceeding assets, the positive credit risk coefficient revealed that businesses expanded credit uptake to improve performance.

Using secondary data from 2014–2018 and a causal research approach, Odubuasi, Oshilim, and Ifurueze (2020) examined the market risks and financial performance of Nigerian oil and gas companies. Multiple regression studies, descriptive statistics, and correlation revealed that the exchange rate had a substantial impact on both ROA and ROE, the interest rate had a large impact on ROE but not ROA, and changes in the price of commodities and stocks had no discernible impact on performance. Ironkwe and Osaat (2019) used data from 1986 to 2016 to examine risk asset management and financial performance in Nigerian insurance companies. They came to the conclusion that ROE, ROA, and leverage risk are significant short- and long-term predictors of risk asset management by using the Johansen co-integration and error correction models.

Nyameh et al. (2019) evaluated the impact of risk management on the performance of 20 Nigerian companies that were registered in Taraba State with the Corporate Affairs Commission (CAC). Through the use of descriptive statistics and correlation matrices to analyse annual reports and financial statements, the study demonstrated that while the presence of a Chief Risk Officer had a negative impact on performance, risk management committees, financial expertise, audit committees, and board size had a positive impact. Half of the risk management factors considered in the current analysis were covered in this investigation.

Adegbola et al. (2019) used secondary data using a descriptive design to evaluate the effect of ERM on the performance of a subset of Nigerian manufacturing enterprises. The results showed a strong positive correlation between ROE and ERM practices as well as between ROE and liquidity (current ratio). On the other hand, ROE had a negative relationship with leverage (the debt-to-equity ratio). However, the study only looked at manufacturing and utilised ROE, which isn't a complete efficiency indicator, to judge performance. ROE is therefore included in the current analysis together with other performance indicators.

Chukwunulu, Ezeabasili, and Igbodika (2019) used regression analysis to evaluate the impact of credit

risk on bank performance. They discovered that non-performing loans and profitability metrics (ROA and ROE) had a negative correlation, which led to a decline in profitability. Amenawo, Udoka, and James (2019) used data from the Central Bank of Nigeria from 1986 to 2017 using an exploratory approach to study the financial risk and performance of Nigerian SMEs. Financial risk and SME performance were revealed to have a negative but negligible long-term association using autoregressive distributed lag (ARDL) approaches. In the medium and long term, however, SMEs were significantly impacted negatively by currency rate, liquidity, interest rate, and inflation risks, suggesting that financial risks impair SME performance and have to be managed.

Methodology

The research design used in this study was ex post facto. All manufacturing companies listed on the Nigeria Exchange Group (NGX) between 2014 and 2024 make up the study's population. Since the majority of corporations' annual reports for the 2025 fiscal year had not yet been fully released at the time of the study's conduct, it was not possible to expand its scope to include 2025. The published yearly financial statements and accounts of the selected companies for the study period served as secondary sources of the data used in this investigation. Again, the period 2014–2025 was chosen because it marked the era of digital transformation.

Furthermore, two (2) risk management measures, liquidity and capital adequacy risks and one (1) financial performance measure were employed. The study obtained a sample of fifteen (15) industrial and consumer goods companies listed on Nigerian Exchange Group. Data obtained were analyzed via a combination of descriptive, regression diagnostic and inferential statistical tools. Given the dependent and independent variables of the study, the following empirical models were estimated:

$$FRP = F(LR, CAR)$$

$$FRP_{it} = a_0 + a_1 LR_{it} + a_2 CAR_{it} + \mu_t$$

Where: FRP_{it} Firm performance (measured as ROA which is profit after tax divided by total assets of firm i in year t); LR_{it} is liquidity risk (current ratio measured as current assets divided by current liabilities of firm i in year t); CAR_{it} is capital adequacy risk (measured by dividing the total capital of a bank by its risk-weighted assets of firm i in year t); μ_t is error term; it is firms at time t ; a_0, a_1, a_2 , is constant of coefficient.

Results

Table 1: Summary of Descriptive Statistics

Parameters	Mean Score	Std. Dev.	Minimum Score	Maximum Score	Skewness Score	Kurtosis Score
FRP	2.295	17.147	-179.91	176.26	-1.462	41.95
LR	-2.840	117.26	-3123.0	202.90	-25.89	688.7
CAR	45.488	37.956	0	376.4143	4.691	34.41

Source: Researcher's Computation (2025)

Important information on the data distribution and variability of the financial performance and risk management indicators among Nigerian manufacturing enterprises can be gained from the descriptive statistics of the variables utilised in this study. A low average level of performance is indicated by the financial performance (FRP) variable's mean of 2.295 while a large standard deviation of 17.147 suggests that there are significant differences amongst organisations. Significant variations are evident in the lowest and maximum values (-179.91 and 176.26, respectively), which are probably the result of outliers. Extreme values are confirmed by the exceptionally high kurtosis (41.95)

and negative skewness (-1.46), which show a left-skewed distribution with large tails.

With a mean of -2.84 and an exceptionally high standard deviation of 117.26, liquidity risk (LR) indicates a significant degree of volatility. A very asymmetric distribution with several extreme values is indicated by the extremely high kurtosis (688.7) and extreme negative skewness (-25.90), which may have a significant impact on model estimation and inference. With a comparatively high average of 45.49 and a standard deviation of 37.956, capital adequacy risk (CAR) exhibits significant variability. Numerous big values could affect the average since the distribution is leptokurtic (kurtosis of 34.41) and positively skewed (4.691).

Table 2: Pearson Correlation

Variable	FRP	LR	CAR
FRP	1.0000		
LR	-0.0233	1.0000	
CAR	-0.1253	-0.0116	1.0000

Source: Researcher's Computation (2025)

The study's variables' linear relationships are revealed by the correlation analysis. There is virtually no linear link between liquidity risk (LR) and financial success, as evidenced by the very weak negative correlation (-0.0233). Financial performance and capital adequacy risk (CAR) have a negative correlation (-0.1253), which is the largest negative association among the risk factors. This suggests that financial performance may be marginally lowered by

increasing capital adequacy risk. Additionally, it seems that there is little correlation between the independent variables. There is hardly any significant association between LR and CAR, as seen by their minor negative correlation (-0.0116). Since there is no high correlation (i.e., above 0.7 or below -0.7) between any two variables, these weak connections imply that multi-collinearity is not an issue.

Table 3: Variance Inflation Factor (VIF)

Variable	VIF	1/VIF
CAR	1.04	0.962154
LR	1.01	0.991265
Mean VIF	1.03	

Source: Researcher's Computation (2025)

According to the Variance Inflation Factor (VIF) results, multicollinearity is not an issue in this research. The VIF values for each variable are quite near to 1, with liquidity risk (LR) having the lowest value at 1.01 and the highest at 1.03. These results demonstrate that the independent variables, LR and CAR, are not substantially associated with each other, as VIF values below 10 (or, more conservatively, below 5) are often regarded as acceptable. This is further supported by the mean VIF of 1.03, which guarantees the stability and dependability of the

regression estimates and shows a very low degree of multicollinearity.

Table 4: Breusch Pagan Test**Breusch Pagan Cooke/Weisberg
Test for Heteroskedasticity**

Chi2(1) = 223.62; Prob>chi2= 0.0000

Source: Researcher's Computation (2025)

The findings of the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity show that the regression model contains heteroskedasticity. The p-value of 0.0000, which is much below the traditional cut-off of 0.05, indicates that the test statistic ($\text{Chi}^2 = 223.62$) is very significant. This indicates that we accept the alternative that the variance of the residuals is not constant and reject the null hypothesis of homoskedasticity,

or constant variance of errors. Practically speaking, this breach of a fundamental OLS premise suggests that standard errors might be skewed, which could compromise the validity of confidence intervals and hypothesis testing. Robust standard errors or alternative estimators that are consistent with heteroskedasticity should be employed to address this.

Table 5: Panel-Corrected Standard Errors Regression

Period: 2014-2025				R-squared =		0.0902
				Wald chi2(1) =		25.62
				Prob > chi2 =		0.0000
Panel-corrected						
FRP	Coef.	Std. Err.	Z	P>z	[95% Conf.	Interval]
LR	0.3940	0.0997	7.37	0.000	0.1985	0.5894
CAR	0.3838	0.0484	6.57	0.000	0.1373	0.9380
cons	0.7625	0.1181	12.45	0.000	0.5309	0.9941

Source: Researcher's Computation (2025)

The findings of the Panel-Corrected Standard Errors (PCSE) regression for all of the panel data from 2014 to 2024 are shown in Table 5. The model implies that there is no serial correlation in mistakes over time within panels, hence the panel was first balanced without autocorrelation. Second, the panel is balanced and indicates that residuals may be associated across panels; corrections were made. The model comprises three (3) estimated coefficients: one for the constant ($_cons$) and one for FRP, LR, and CAR. The model essentially explains just 9% of the variance in the dependent variable, according to the R-squared of 0.0902 (poor explanatory power). However, the probability Chi2(1) is 0.0000 (low), which is less than 0.05%, showing that the entire model is statistically significant at conventional levels (e.g., 1% and 5%). The Wald Chi2(1) is 25.62, indicating the joint significance test of model coefficients. This indicates that the independent variable did a good job of explaining variance in the dependent variable.

Additionally, the estimated effect on the dependent variable (FRP) indicates that there is a correlation between an increase in FRP (the dependent variable) and a one-unit rise in LR and CAR (the independent variables). The effect is robust and significantly positive, as indicated by the statistical significance of the result ($p < 0.000$). The results of the panel-corrected standard errors regression showed that the degree of financial performance is considerably impacted by both capital adequacy risk (Z-score = 6.57; Probability = $0.000 < 0.05\%$) and liquidity risk (Z-score = 7.37; Probability = $0.000 < 0.05\%$). The inference is that financial performance is driven by effective risk management in relation to liquidity and capital adequacy issues, especially in the age of digital transformation.

Conclusion and Recommendations

Digital transformation has generally been accepted as a vital way of improving performance at the corporate and national levels. In the context of Nigeria's digital transformation, we investigated in this study if risk management influences the financial performance of publicly traded companies. Using an ex-post-facto research design, the digital transition era from 2014 to 2024 was examined. One (1) financial performance metric and two (2) risk management strategies - liquidity and capital adequacy risks were used. Fifteen consumer and industrial goods businesses listed on the Nigerian Exchange Group Limited were selected for the study. A combination of descriptive, regression diagnostic, and inferential statistical

tools were used to analyse the collected data. The panel-corrected standard errors regression result demonstrated that liquidity risk and capital adequacy risk greatly affect the level of financial performance.

The finding implies that financial performance is driven by efficient risk management in relation to liquidity and capital adequacy, especially in the era of digital transformation. The study suggests, among other things, that in addition to traditional financial risks, management of publicly traded industrial and consumer goods companies should think about integrating more comprehensive and sector-specific risk management systems, such as supply chain, operational, and foreign exchange risks. In the risk management frameworks of Nigerian listed industrial and consumer products companies, there is also an urgent demand for a more inclusive digital systems. This study advances knowledge because it offers a more critical evaluation of the risk-performance relationship of industrial and consumer goods companies in the age of digital transformation.

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