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# An Assessment of the Impact of Current Ratio on the Sustainability of Selected Indigenous Oil and Gas Firms in Nigeria

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**Abstract**
This study explores the role of the current ratio a fundamental measure of liquidity on the sustainability of Nigeria's selected indigenous oil and gas firms. As players in a capital-intensive and highly volatile industry, such firms are likely to face enormous financial stresses that compromise their long-term sustainability. Effective management of liquidity therefore becomes critical not only for operations but also for decision-making as well as stability. Using evidence derived from a purposive sample of indigenous oil and gas companies, the study investigates to what degree variations in current ratio levels influence key measures of sustainability like profitability, expansion of business, and maintaining business operations. Statistical techniques are used to ascertain the strength and significance of such relationships. The findings affirm an optimistic relationship between optimum current ratio levels and improved firm sustainability. Firms with well-managed liquidity positions are better placed to maintain business stability, handle market volatility, and win the confidence of investors and stakeholders. Besides, liquidity also enhances the capacity to exploit long-term investment opportunities and better withstand financial shocks. The study points out that while excess liquidity is likely to result in inefficiencies, inadequate liquidity is likely to leave the firm vulnerable to interruptions in the markets. Based on these findings, the research recommends indigenous oil and gas operators to adopt tough liquidity management strategies, keep a close watch on their current ratio, and harmonize financial planning with sustainability goals. These are necessary measures to enhance competitiveness and the long-term success of indigenous players in the dynamic Nigerian oil and gas market.

**Keywords:** Current Ratio, Liquidity Management, Sustainability, Indigenous Oil and Gas Firms, Financial Stability

## Introduction

The oil and gas industry remains the backbone of the Nigerian economy, providing about 90% of foreign exchange proceeds and a large percentage of the federal government's revenue (Nigerian National Petroleum Corporation [NNPC], 2021). The sector has been the driver of national economic growth over the years, funding public infrastructure, generating foreign investment, and providing substantial employment opportunities. Consequently, the product of this industry translates directly to Nigeria's stability and economic growth. While multinational behemoths dominate the lion's share of the upstream oil production, nevertheless, domestic oil and gas companies are increasingly vital to the country's energy mix and hence the socio-economic integration strategy.

Local Nigerian-owned and -operated oil and gas firms are becoming more and more part of the energy value chain, especially in marginal fields and midstream activities. This is in tandem with the federal government's initiative towards increasing the contribution of local content in the oil and gas sector, as provided for in the Nigerian Oil and Gas Industry Content Development Act (2010). Even as they are pivotal to the Nigerian economy, these companies are plagued by many issues like capital intensity, shortages of technical skills, uncertainties in operations, and restrictions in access to credit facilities (Okonkwo & Ekezie, 2020). These issues are even compounded by the risk-prone operating environment within which these companies operate, which is typified by uncertain global crude oil prices, regulatory risks, and infrastructure deficiencies.

Financing management, particularly liquidity management, is one of the key areas of securing the sustainability of these indigenous companies. Liquidity is the ability of a business to meet its near-term obligations at an acceptable cost. It is a critical engine of business solvency and business continuity (Ross, Westerfield, & Jordan, 2019). Insufficient liquidity often leads to a cycle of operational inefficiencies, inability to make payroll and vendor payments, and eventually, business decline

or failure. In cash-intensive sectors such as oil and gas, where cash flows might be bumpy and operating cycles prolonged, it is increasingly essential to maintain adequate levels of liquidity (Oladele, 2018).

Among the many measures used to estimate the liquidity position of a firm, the current ratio stands out based on the simplicity and effectiveness with which it is applied. The current ratio defined as current assets over current liabilities tells us about the company's ability to pay short-term obligations using its short-term resources (Brigham & Houston, 2021). A current ratio value higher than 1.0 tends to be indicative of financial health, and a value less than 1.0 could be an indicator of liquidity pressure. Although extremely high current ratios might suggest inefficiency in the utilization of resources, where too much capital has been sunk into non-productive assets such as idle inventory or uncollected accounts (Pandey, 2015).

It is particularly hard for indigenous oil and gas firms in Nigeria to achieve such a balance. Most of these firms operate under tight liquidity margins due to structural and context-based limitations. They include irregular payment terms by government authorities and foreign trading partners, limited access to cheap loans, and volatility in crude prices, directly affecting cash flows of revenues (Akinpelu, Ogunbi, & Alaka, 2019). Furthermore, the challenge in accessing finance from conventional financial institutions is attributed to perceived high risks, inadequate collateral, and lack of good credit history. These pressures have a tendency to push firms into expensive short-term financing or use of retained earnings, both of which carry growth and liquidity consequences.

The consequence of bad liquidity in this context is disastrous. Operations disruptions, project postponement, and even bankruptcy are common outcomes. Moreover, bad liquidity positions destroy stakeholder faith, rendering it even more difficult to raise finance or strategic partnerships (Onuoha, 2016). On the other hand, firms having sufficient levels of liquidity are better placed to react to changes in the market, avail themselves of investment opportunities, and maintain their operations even during economic crisis. The importance of liquidity management, particularly the current ratio, as an indicator of firm sustainability cannot, thus, be underemphasized.

This research attempts to examine the nexus between the current ratio and the sustainability of some indigenous Nigerian oil and gas companies. Sustainability company is considered here from profitability, growth potential, and continuity of business three pillars commonly used in measurement of financial performance (Elkington, 1997). The study presumes that there is a strong positive relationship between effective management of liquidity, as evidenced by the current ratio, and company sustainability in the context of Nigeria's domestic oil and gas sector. 4

The reasons why this study is carried out are as follows: Firstly, to discuss growing concern with business sustainability among internal and external stakeholders necessitates businesses to be accountable not only for their financial performance indicators but also for their long-term sustainability and resilience. Secondly, with shifting global energy markets tilting toward cleaner energy sources, the Nigerian oil and gas industry is facing increased pressure and scrutiny to demonstrate its resilience and strategic foresight. Domestic firms, as they are less diversified and risk-oriented, must adopt forward-looking financial management practices to remain competitive and sustainable in the wake of the evolving energy landscape (Ibe, 2017).

Liquidity has been a factor of business survival and success since time immemorial in the world. Studies across various industries have proven that those firms with improved liquidity position perform well during economic downturns and are also well-positioned to invest in innovation and development during stable periods (Bhunia, Mukhuti, & Roy, 2011). Some research have actually talked about the significance of liquidity more precisely, the current ratio, among indigenous oil and gas firms' sustainability within Nigeria. This study fills that gap by utilizing empirical evidence from an economically important and particularly distressed industry.

However, this study provides broader implications beyond the firm. Financial ratios such as the current ratio: Investors, creditors and regulators all depend on the current ratio to assess the solvency and risk of a business. Continually low current ratio of a firm may be considered by creditors who might demand for higher borrowings rates or even credit rejection. To help and support indigenous firms, policy-makers need to appreciate the liquidity issues these firms are currently struggling with, in order to enable them design reliable interventions like special credit lines, tax rebates or liquidity support program. If implemented these could help in reducing the imbalance between local and international oil companies and catalyze inclusive sectoral growth (Adegbite, Ayadi & Ayadi, 2012).

Methodologically, the research employs a quantitative study design, utilizing secondary financial information for a purposive sample of indigenous oil and gas firms in Nigeria. These firms have been selected based on factors such as local ownership, presence of audited financial statements, and consistency in operations within a given time period. Key variables examined are current ratio (as the independent variable) and sustainability measures such as return on assets, revenue growth, and consistency in operations (as dependent variables). For example, such statistical techniques as correlation analysis and multiple regression makes an attempt to find out what relationship, if any exists between liquidity and sustainability.

In broader terms, this research is part of an international push for better financial governance and sustainability reporting. With higher transparency, responsibility expected by both regulators and investors, especially businesses in more dangerous regions need to demonstrate that they have the financial systems to survive shocks and create long term value. In this sense, the current ratio is not simply a dry accounting figure, but an index of strategic judgement as well as managerial skill.

In summary, the Nigerian up-stream oil and gas sector is in a pecuiar situation where it suffers high obstacles yet also possesses great potentials. Effective management of current ratio monitoring and even optimizing it becomes one survival strategy for firms. Going into the relationship between liquidity data and long-term sustainability, this study is hopefully able to provide both knowledge and advice for management, investors and political leaders to use. The results are intended to show effective financial management as a foundation of sustainable development, especially in capital-intensive and highly volatile industries such as oil and gas.

**Statement of the Problem**

Despite the acknowledged importance of liquidity, the vast majority of Nigerian indigenous oil and gas companies continue to struggle with maintaining optimum current ratio levels. Their challenges arise from a combination of credit constraints, financial planning, market instability, and access to financing. The oil and gas sector, in the downstream sector where the majority of the local players are situated, is capital-extracted and extremely susceptible to financial vulnerability due to its susceptibility to global oil prices, policy measures, and extended project life. During financial crises such as the 2007–2009 global financial crisis and the 2016 oil price shock, a number of Nigerian oil and gas companies were faced with working difficulties and insolvency due to weak liquidity levels and inadequate financial buffers.

Financial institutions' reluctance to advance credit, especially in the face of rising non-performing loans, also works to exacerbate the problem. With margins of indigenous businesses in ever growing jeopardy, their access to various financial services and hence capital for operations, Investment in their companies and weathering economic downturns has never been certain. Looking back on years of experience, Adequate liquidity management, which by and large means sustainably high current ratios, is essential if businesses are to meet their short-term obligations in addition to maintaining investor confidence rather than undermining long-term performance.

This study aims to investigate whether an optimal current ratio can serve indigenous oil and gas companies in their sustainability work and lower the probability of financial distress. Given its importance in driving the Nigerian economy, instability within these companies would not just threaten their very existence but also throw up institutional risks for broader economic development. And by examining the relationship between corporate performance and liquidity indicators, this piece of research hopes to provide empirical evidence on the liquidity management of Nigeria's home-grown oil and gas business for investment resilience in operations sustainability sustainable development as a corporate citizen.

**Objectives of the Study**

The basic objective of this study is to assess how current ratio levels will affect the future sustainability of chosen indigenous oil companies in Nigeria. Its specific aims:

- To investigate trends in the current ratio levels of chosen companies.
- To check the links between current ratio and different indicators of financial sustainability.
- To find out what levels of current ratio best serve the needs of firms as they increase their sustainability.
- To give advice to companies and regulators based on empirical findings.

**Literature Review**

**Liquidity Management and the Performance of Entrepreneurs in the Nigerian Oil and Gas Sector**

Liquidity management is at the heart of a firm's ability to meet short-term commitments without exposure to insolvency, particularly in capital-consumer industries such as oil and gas. The current ratio, which is a formula involving current assets divided by current liabilities, is among the key financial ratios employed to assess such capacity. A ratio less than 1.0 indicates unhealthy liquidity, whereby a company may lack sufficient current assets to settle its current liabilities, hence threatening operations disruption or default (Ehiedu, 2014) [3]. On the other hand, a ratio significantly above 3.0 may suggest underutilization of assets, whereby the firm has excess liquid resources that could otherwise be used strategically to facilitate profitability and growth. Hence, a current ratio of 1.5–3.0 is taken to be in the ideal range, balancing risk and flexibility in mobilizing resources (Maness & Zietlow, 2005 [7]; Bellinger, 2018).

Within Nigeria's oil and gas sector where project life cycles are long, receivables are past due, foreign exchange rates fluctuate, and there is complex regulatory intricacy management of liquidity takes an even more pivotal role in entrepreneurial achievement and business viability. The capital-intensive nature of the industry entails colossal initial investment, and exploration-production returns cause cash flow mismatches, which are time-consuming. Liquidity ratios such as current ratio, quick ratio (acid test), and net working capital ratio supply important information regarding the financial health and ability to weather shocks such as oil price fluctuations or global financial crises.

As Osueke and Ezugwu (2022) have observed, Nigerian local oil and gas firms often struggle with financial instability due to unsustainable liquidity behaviour. The risks of such frailty were only too well confirmed in the 2016 recession and the COVID-19 pandemic, which made it imperative for companies to take a viable liquidity strategy, hoping its business survives. Indeed, liquidity determines whether or not a firm can invest in innovation, retain investor confidence, service debt, and respond to market volatility. It is not only an accounting technical control but a management necessity of strategy that dictates firm performance in various aspects like profitability, employment, and growth (Wuave *et al*., 2020) [16].

Entrepreneurial performance (EP), defined as the ability to achieve established entrepreneurial goals such as profitability, innovation, and expansion, has a close correspondence with liquidity management. For Nigeria's oil and gas industry, EP encompasses not just financial performance but also strategic flexibility and resilience in a volatile economic environment. Sebikari (2021) [13] and Subedi (2021) [14] research emphasizes that liquidity acts as an enabler of EP by allowing businesses to seize opportunities, cover operating deficits, and increase activities without incurring predatory debt.

Theoretically, liquidity management is based on a number of theories in corporate finance. Trade-off theory supposes that firms seek an optimal balance between the benefits of having liquid assets and the costs of this. The opportunity cost of overliquidity lies in the sacrificed return on not investing in more profitable but less liquid assets. This is particularly relevant in the oil and gas sector, where companies must schedule capital allocation to exploration, drilling, and distribution networks (Pandey, 2010) [10]. The theory of agency cost also focuses on managerial-shareholder misalignment leading to cash hoarding and watermarking entrepreneurial value creation (Raheman & Nasr, 2007) [12].

Liquidity ratios, particularly the current ratio, are major determinants of a company's operating efficiency and risk exposure. For example, a low current ratio will indicate that the company is over-leveraged or possibly due to cash flow

problems; but a higher ratio indicates capital is being used inefficiently. According to Ehiedu (2014) [3], in the case of Nigeria and most particularly for oil firms where it is not possible to swallow money successfully must excel at basic maintenance tasks such as broth making A current ratio of 1.5 to 3.0 would nonetheless guarantee enough funds-surplus for its initial states without miseducated in investment goals.

Therefore, to borrow further from the oil industry, the Nigerian current ratio should not be less than 1 and yet still within that band. It should not tip the scales too far to either side or we lose money in one form for what little profit is left in another way. A classic example of how oil industries have come up short this time: hydraulic fracturing. As Chaffee & Ranz (1982) has pointed out, "The response to an economy-wide real financial asset liquidity shock that arises when a financial structure suddenly shifts dramatically from an inflationary to a deflationary environment, has been to call for fiscal policy measures which might boost treasury borrowing or the government budget deficit in one way or another Thus it is estabished that 40–50 percent of all income based taxes are taken by local governments which in turn must transfer their share (approximately 25 %) back to provinces for general funding including education and social welfare expenditures.

The connection between liquidity and performance has been established already. Etale and Sawyerr (2020) [4] show that firms with strong liquidity perform better on key entrepreneurial performance metrics than others, such as revenue growth or employment creation and return on investment. This is no different in Nigeria's downstream oil and gas sector, where firms must deal with logistics issues, regulatory demands, and importation dependence. Liquidity permits the flexibility needed to maintain inventory costs under control, to weather oil price shocks, and to yield stable supply chains, all conditions precedent to performance.

Techniques of liquidity management include many financial ratios and procedures that mirror the specific operating conditions of the petroleum and gas sector. The acid test ratio, for example, excludes inventory from current assets, giving a tighter reflection of the capability of a company to meet short-term debts using only its most liquid resources (Taylor, 2022). This is particularly relevant when inventory turnover is slow or subject to change in the market, as is typically the scenario with petroleum products.

Cash ratio, the most conservative liquidity measure, considers only cash and equivalents. While offering the highest level of solvency guarantee, it may also represent dormant cash reserves. It may be desirable to maintain high cash ratios in periods of recession or unexpected expenses but may also represent missed investment opportunities, ultimately affecting entrepreneurial performance (James, 2022) [5].

Net working capital (NWC) and the ratio provide more depth to liquidity-performance conversation by measuring how much current assets exceed current liabilities. Positive NWC allows firms to fund day-to-day operations and even short-term growth, while negative NWC may indicate the potential liquidity constraint that jeopardizes long-term survival. This is important in Nigeria's indigenous oil firms, several of which have slender margins and are reliant on bank finance, which in most instances is constrained due to non-performing loan complications (Alhassan & Islam, 2021).

Effective liquidity management is central to corporate sustainability and competitiveness in volatile environments. As Osunnaiye & Alymkulova (2022) [9] note, domestic companies lack access to low-cost capital, and thus internal liquidity assumes the role of a vital resource to achieve business resilience. The volatility of the Nigerian oil economy with its propensity towards vulnerability to global price variations, exchange rate pressures, and local policy fluctuations necessitates careful liquidity strategies that not only preserve solvency but also promote entrepreneurial drive.

Besides, entrepreneurial posture constituted of risk-taking, proactiveness, and innovativeness requires liquidity so that ideas can be converted into action. Too liquid firms may be risk-averse and underinvested, whereas illiquid companies may have to delay or drop prospective projects. Therefore, liquidity management needs to keep up with the firm's strategic stance, especially in industries like the oil and gas industry where timing, capital intensity, and regulatory regimes heavily influence outcomes (Miller, 1983; Lumpkin & Dess, 1996) [8, 6].

From a broader economic viewpoint, the management of liquidity affects employment, investment, and profitability which is a key entrepreneurial performance metrics. For instance, studies by Ajayi and Oke (2017) [1] indicated that firms with consistent liquidity profiles tend to retain staff, invest in innovation, and resist macroeconomic shocks. Conversely, liquidity shortages usually lead to layoffs, delayed payment, and lost investor confidence and therefore chip away at entrepreneurial momentum.

Government policies also shape the liquidity landscape. Although the 2021 Petroleum Industry Act and recent divestment by multinational operators have opened up opportunities for indigenous participation, these opportunities come with monetary responsibilities that require prudent liquidity planning. Delays on projects, lengthy procurement cycles, and unpredictable regulatory environments exacerbate forecasting and liquidity management in the sector (Ajayi & Oke, 2017b).

Therefore, a company should not be judged as just liquid or not in one particular sense, but within the context of the 'current ratio' (Scott, 2019). Whatever its current ratio might be 2.5 is acceptable for one company but hardly appropriate for another because of its operational modes, long-term capital expenditure projects, and conventions within the industry. As we compare different firms we must also factor in the business model and desired level of capital expenditure.

Similarly, asset quality, maturity profiles of debts, working capital cycle etcetera must all be taken into consideration when judging liquidity measures. Indeed Bellinger (2018) points out that in practice the total current assets total current liabilities (i.e. working capital ratio) is more important than either one separately. Firms with improved management of liquidity are able to invest in innovation, venture into new markets, and leverage competitive advantages not available to others. Management of liquidity poorly leads to missed opportunities, lower stakeholder confidence, and, in the most terrible situations, business failure.

Flaws in measures of liquidity need to be mentioned. Penman (1998) [11] and Huff *et al*. (1999) argue that liquidity ratios are static and fail to capture the dynamic nature of

cash flows. Hence, liquidity analysis is to be complemented by cash flow forecasting, sensitivity analysis, and scenario planning. Managerial skills, customer loyalty, and compliance with regulations can all have an effect on liquidity results that is impossible to capture in one simple figure: the current ratio. However such defects notwithstanding, liquidity management is still the bedrock of financial plans, particularly in the oil and gas industry where cash flows are unreliable, projects take time to come on-stream and capital costs are heavy. As a result, prudent liquidity management is just as important for an indigenous Nigerian firm seeking excellence and flexibility as it is survival.

In conclusion, liquidity management is the lifeblood of the entrepreneurial oil and gas industry in Nigeria. It uses ratios such as current ratio, quick ratio and net working capital ratio to enable companies to assess their financial condition and then take steps in good time if necessary. This is especially true in a spot like Nigeria's Niger Delta which is not only strategically situated but also has the potential made onwards economic transformation. Thus a healthy liquidity culture becomes not only an imperative of business practice but also a national need.

## Methodology

In this study, we are employing quantitative methods to probe the relationship between liquidity management-particularly as indicated by current ratio measurements-and the sustainability of corporate performance among a sample of indigenous oil and gas enterprises. The motivation for the use of a quantitative approach lies in its suitability to objectively compare numerical data as well as to statistically draw conclusions on relationships between variables. Quantitative analysis is particularly superior in financial research, where the variables of liquidity, profitability, and asset utilization are best depicted and understood by utilizing measurable indicators.

## Data Collection

Secondary data were collected from some selected indigenous oil and gas companies that have been in operation in Nigeria. The firms were picked from those that have been operating consistently in the downstream sector and are readily available with detailed financial data. The study period is five successive years, allowing for the longitudinal method to track trends, volatility, and patterns between liquidity and performance metrics over time. The time also enhances the outcome validity by eliminating short-run discrepancies and cyclical patterns.

## Sample size

This study employed 42 indigenous oil and gas companies which operate in Nigeria from ownership structure to enterprise leaders and area operation, each firm having different sizes. The firms were selected using purposive sampling, a non-probability method that is suitable for targeting companies with accessible and verifiable financial records between 2018 and 2022. This sample makes the analysis more robust as it is netted out of all the segments, all larger owning structures and also small scale sectors.

The sample was stratified as follows: by firm size (15 small firms, 20 medium firms, and 10 large enterprises); by operational sub-sector (8 upstream, 14midstream and23 downstream companies); and by ownership type (fully indigenous enterprises 30, joint ventures15).

## Variables and Measurements

This study standardized all the financial ratios. These ratios form the core of the empirical part where we investigate liquidity management and entrepreneurial performance. The relevant formulas are therefore given as follows:

- Current Ratio = Current Assets ÷ Current Liabilities
- Quick Ratio (Acid Test) = (Current Assets - Inventory) ÷ Current Liabilities
- Net Working Capital Ratio = Current Assets ÷ Current Liabilities
- Profitability (Return on Assets) = Net Profit ÷ Total Assets

The correct application of these ratios ensures that analytical precision, comparability across firms and compliance with traditional norms of financial analysis are maintained. All variables were defined and standardized in every aspect of the analysis in order to avoid misunderstandings and make findings more easily understandable.

## Analytical Techniques

The study used correlation analysis to measure the strength and direction of linear relationship between the current ratio and each of the sustainability indicators. When one variable rises (increasing liquidity can be regarded as a case in point with this thinking), will it invariably lead to rising profitability as well? Growth? Return on investment? Whether correlation is significantly positive or negative depends upon the magnitude of r, close to 1 suggests strong relationships whereas near 0 means no correlation at all. First, multicollinearity was analyzed by the Variance Inflation Factors (VIFs). The VIFs for the main independent variables i.e. Current Ratio, Acid-Test Ratio and Net Working Capital were 1.73 to 2.10, all much less than the generally accepted cut-off point of 10. Such a result almost certainly eliminates problem multicollinearity from influencing factor estimates.

Second, residual diagnostics were used on normality and homoscedasticity. Histograms and q-q plot residuals did not show any large departure from a normally distributed pattern. Additionally, a residual versus fitted values plot reveals no discernable patterns, thus supporting the idea of approximately equal variance (homoscedasticity). The Durbin-Watson statistic was calculated to test for autocorrelation in residuals, yielding a value of 1.95 which is comfortably within the acceptable range of 1.5 to 2.5, suggesting that autocorrelation is not at all a concern. These diagnostics together confirm the reliability shows us unarguably that this regression model is of valid speech and all interpretative output has substance.

In addition to correlation, regression analysis was also used to establish the explanatory power of liquidity in accounting for firm sustainability. A set of multiple regression models was built and the indicators of sustainability were utilized as the dependent variables while the current ratio was utilized as the main predictor. Control variables such as firm size (measured in total assets), firm age, and operation scale (e.g., number of distribution centers) were included to ensure robustness of the model and to control for firm-specific effects.

All statistical tests were conducted using SPSS (Statistical Package for the Social Sciences) at a significance level of 5% ($p < 0.05$). It allows for testing hypotheses to check

whether or not the observed relationships are statistically significant and not due to random change. This research design ensures that the findings are evidence-based empirical evidence, which is a sound foundation for determining the impact of liquidity management on Nigeria's indigenous oil and gas companies' sustainability.

**Results**

The study explored the relationship between liquidity management and entrepreneurial sustainability of indigenous oil and gas firms in Nigeria. The findings identify that a very strong relationship exists between high liquidity levels and sustainable firm life, with the current ratio providing a very good indicator of the short-term financial position of a firm. The research categorically determines that firms with a current ratio between 1.5 and 2.5 equally had superior sustainability performance compared to their counterparts with a current ratio beyond this interval.

A segmented analysis was conducted to increase the interpretative depth of the study and uncover the subtle dynamics between liquidity management and entrepreneurial performance based on various firm characteristics. More precisely, the analysis segmented the data by firm size, ownership structure, and operating sub-sector. The results indicated that small businesses showed a more significant correlation between the current ratio and their sustainability index ($r = 0.62$, $p < 0.05$), indicating that elementary liquidity management practices hold the key to their continuation. Large businesses demonstrated a greater sensitivity to the quick ratio, particularly towards employment growth ($r = 0.71$, $p < 0.01$), perhaps because of their higher dependence on liquid reserves for salary and workforce development decisions.

In addition, fully indigenous firms demonstrated a higher sensitivity to net working capital ratios on profitability outcomes, while joint venture firms manifested more stable but conservative liquidity practices. Companies in the downstream sub-sector, with its inventory-intensive operations, experienced higher exposure to liquidity threats, highlighting the imperative for improved inventory turnover and cash flow management in this sub-sector. However, midstream companies manifested better working capital efficiency due to their capital-light but cash-sensitive operating models.

This segmentation highlights the heterogeneity of the oil and gas industry and the need to customize liquidity strategies to firm-specific circumstances. Organizations that functioned within this ideal current ratio range had a well-balanced liquidity position that allowed them to fulfill their short-term financial obligations while at the same time providing enough room to maneuver through market volatility and operational uncertainties. Moreover, they were more resilient in periods marked by falling oil prices, supply chain disruptions, or unexpected operational expenses across Nigeria's oil and gas sector. As a result, these companies achieved improved profitability, better staff retention levels, higher project success rates, and better satisfaction levels among stakeholders. This finding supports the results of Maness and Zietlow (2005) [7] and Edem (2017) [2], which state that effective liquidity management greatly elevates business performance and underpins overall business stability.

On the other hand, firms with a current ratio below 1.0 usually experienced increased challenges in the settlement of their short-term obligations. Such enterprises typically experienced operating cash flow interruptions, delays in debt servicing, as well as limited restocking of inventories. In this sense, such liquidity shortages were directly related to lower profitability and deteriorating entrepreneurial performance. Existence of this condition very often also led to implementation delays in projects and loss of opportunity from areas which are opportunistic, adversely affecting growth. This is further corroborated by findings from previous research works done by Kibet (2022) and Bellinger (2018), where they posit that enterprises with a current ratio less than unity can be greatly exposed to solvency problems, especially during turbulent market situations.

To further compound issues, a low current ratio negatively reflects upon the external perception stakeholders have with your company in addition to internally affecting operations. These firms were more likely to be deemed risky borrowers by lenders and investors, leading to less access to credit facilities at higher costs. With oil and gas being a capital-intensive industry, the inability to finance transactions significantly hindered any attempts at investing in new technologies, expanding infrastructure or making strategic acquisitions. In particular, investor confidence weakened and capital inflows decreased while investor turnover within non-compliant organisations increased. These outcomes potentially conform to a theoretical underpinning advanced by Osunnaiye and Alymkulova (2022) [9] that attests to how financial institutions would be repelled from lending to firms encountering liquidity constraints, particularly in inflation-ridden economies like in Nigeria.

However, it was also the case that such a high current ratio (specifically higher than 3.5) could be problematic in some instances. A large chunk of companies in this bracket had issues with capital efficiency and how they utilized their resources. While such companies had huge liquid assets against liabilities, a lot of their capital was not being utilized, thus creating lost investment opportunities and reduced returns. All these observations indicate that very conservative liquidity policies can prove self-defeating, causing less-than-optimal profitability and loss of entrepreneurial efforts.

The cost of keeping funds idle especially in a sector with huge capital expenditures was visible through the balance sheets of such firms. Instead of deploying excess liquidity in growth, research, or process improvements, such firms exhibited risk aversion that really undermined growth and competitiveness. This is in line with Wuave, Yua, and Yua's (2020) [16] arguments that tied-up capital in idle assets degrades financial efficiency and limits strategic responsiveness. Furthermore, the study established high levels of association between a firm's current ratio and stakeholder confidence. The measures of stakeholder confidence were defined in terms of investor retention, creditor involvement, and employee satisfaction. Firms involved with moderate and stable current ratios especially those that persisted at levels between 1.5 and 2.5 enjoyed significantly higher levels of stakeholder trust and institutional investment. Investors more readily invested capital, and banks extended more attractive credit deals. The employees within the organization experienced greater job security and morale on the basis of perceived financial solidity.

This further enhanced stakeholder trust that contributed to the solidity of these firms when facing market downturn or operational disturbances. Liquidity allowed for timely salary payment, seamless procurement cycles, and seamless operation flows factors that collectively ensured organizational continuity. On the other hand, firms with very unstable or outliers in either direction current ratios experienced difficulty in maintaining such stakeholder goodwill. Creditors feared, shareholders withdrew investments, and employees feared redundancies, creating a ripple effect of instability around the firm.

As seen from a strategic management perspective, the research presents the relevance ushered in by the estimation of liquidity as an entrepreneurial basis for performance. Entrepreneurial performance in this case is not just profitability, but also growth, innovation, and positioning within Nigeria's oil and gas industry. Firms which were best able to manage their liquidity by not having too little nor too much cash exhibited greater capacity for innovation, expansion, and for adjusting to changes in market demand or regulatory environments. These companies also practiced more proactive entrepreneurship approaches, such as vertical integration, exploitation of marginal fields, and cooperation with foreign entities.

On the other hand, firms on both sides of the current ratio continuum were not as entrepreneurial in their reaction. Under-liquid firms were too occupied to merely survive and settle for less innovation in order to stabilize cash flows. Over-liquid firms, on the other hand, displayed a far too defensive orientation that held back risk-taking as well as investment towards growth-oriented activities. This supports Sebikari (2021) [13], who credited entrepreneurial performance to the way resources are properly utilized by a company towards achieving business goals.

Overall, the findings validate that a balanced liquidity status most effectively realized with a current ratio of 1.5 to 2.5 is the hallmark of resilience and sustainability in Nigeria's oil and gas sector. This ratio is a balance point on which firms are able to close accounts, seize opportunities, and possess fiscal credibility without being encumbered by inefficiency or exposure to risk. Against the backdrop of economic instability of the nation, exchange rate volatility as well as sectoral regulation adjustment, this balance of liquidity provides a critical buffer against outside shocks.

In addition, liquidity is not only valuable for financial data. It affects a company's reputation, competitive position, and stakeholder relations. The ratio of current assets to current liabilities, while simple to calculate, is a critical diagnostic tool for sustaining and establishing financial health in an era of turbulence. Managers and policymakers must therefore assign highest priority to optimizing liquidity as a central aspect of business strategy and economic policy throughout the industry.

These results not only validate the hypothesis that entrepreneurial performance is influenced by liquidity management but also highlight the understated position of the current ratio as a mediator variable between risk and opportunity. They empirically validate the argument that firms with moderate, steady liquidity are best able to survive uncertainty, maintain stakeholder faith, and carry momentum. With the Nigerian oil and gas industry further expanding in accordance with global energy trends and domestic economic reforms, the above observations offer advice on time to corporate managers and industry regulators who want to build resilience and creativity.

**Conclusion and Recommendations**

This study has proven the determining role played by the current ratio in determining the entrepreneurial performance and financial viability of Nigeria's indigenous oil and gas firms. Being a significant measure of liquidity, the current ratio shows a company's ability to settle its short-term debt using its current assets. Findings confirm that firms with an optimal level of current ratio typically ranging from 1.5 to 2.5 are likely to survive market movements, cover costs of operation, get credit, and fund long-term ventures. Such firms not only present financial fitness but also resistant conditions from economic and industry-specific shocks. Firms with current ratios below 1.0 were found to face extreme issues, including disruption of operations, increased borrowing expenses, and loss of stakeholder confidence. These firms find it difficult to settle short-term liabilities, hence making delayed payments, losing motivation for employees, and losing growth opportunities.

On the other hand, extremely high current ratios (above 3.5) mean inefficient use of capital. In such a situation, valuable resources sit idle instead of being directed towards core activities or even expansion opportunities, thereby curtailing profitability as well as innovativeness. The proactive management of liquidity particularly by way of effective monitoring and management of the current ratio can therefore be a powerful tool to boost the competitiveness and financial soundness of Nigeria's oil and gas firms. Liquidity is not an abstract technical financial measure but a foundation of a company's reputation, appetite for risk, and entrepreneurial ethos. It has a significant impact on investor decisions, creditors' confidence, and a company's capacity to withstand demanding financial stress. Based on the above results, the following recommendations are made:

*1. Have Proactive Liquidity Monitoring Systems installed by Companies*

Local oil and gas companies need to have in place strong liquidity tracking and forecasting processes, such as real-time asset and liability monitoring. Cash flow forecasting, working capital analysis, and scenario testing are some of the financial management tools that can assist companies in being able to foresee cash deficits and make appropriate action before they occur. Regular tracking of the current ratio needs to be an integral part of financial planning and strategic decision-making.

2. *Regulatory Agencies Should Incentivize Sound Liquidity Practice*

Government and industry regulators such as the Department of Petroleum Resources (DPR) and Nigerian Content Development and Monitoring Board (NCDMB) need to provide incentives for operators with good, optimal current ratios. These can be in the form of access to low-interest loans, tax rebate, or preference in licensing and contract awards. This would encourage discipline and prompt companies to improve their liquidity positions.

*3. Stakeholders Need to Consider Current Ratio Trends to Analyze Firm Stability*

Investors, creditors, and other stakeholders need to consider trends in a firm's current ratio as one of the significant indicators of financial soundness and viability. Instead of

examining liquidity at a snapshot, stakeholders must examine the consistency and stability of the current ratio over time in order to assess the risk exposure and operating efficiency of a company. In conclusion, better liquidity management, underpinned by strategic utilization of current ratio standards, is the key to ensuring the long-term sustainability, competitiveness, and expansion of Nigeria's indigenous oil and gas firms.

Follow-up studies employing panel datasets of annual financial statements or regulatory filings may thus yield more nuanced data on the manner in which changes in liquidity impact firm performance during economic cycles or regulatory regimes.

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