

EFFECT OF ASSET GROWTH ON FINANCIAL PERFORMANCE OF CONSUMER GOODS FIRMS IN NIGERIA

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Abstract

The strategic management of asset growth in firms enable companies to increase their revenue generation and reduce operation cost and ensure sustainable profit overtime. This study is to examine the effect of asset growth and financial performance of consumer goods firms in Nigeria. Fourteen consumer goods firms were selected from Nigeria Exchange Group, and secondary data was collected from the firms for a ten-year period (2013 – 2022). The data were analyzed using Descriptive analysis and Panel fixed effect Regression analysis. Non-current assets growth, current assets growth, net assets growth, and total asset growth were used as proxies for asset growth (independent variables), while return on assets (ROA) and return on equity (ROE) were used as proxies for financial performance (dependent variable). The result shows that the non-current assets growth rate and current asset growth have a significant positive effect on the ROA and ROE of consumer goods firms in Nigeria. Findings also show that total asset growth has an insignificant effect on ROA and ROE. On the other hand, findings revealed that while net asset growth is insignificant to ROA, the outcome is significant and positive to ROE. Based the findings, the study recommends that consumer goods ought to adopt effective inventory management systems to sustain an optimal level of current assets, particularly in the consumer products sector where stock turnover is essential. By minimising surplus inventory and enhancing stock rotation, companies can liberate capital, decrease storage expenses, and augment liquidity, so positively influencing financial performance.

Keywords: Asset Growth, Current Asset Growth, Non-Current Asset Growth, Net Asset Growth, ROA, ROE.

1. INTRODUCTION

The consumer goods sector in Nigeria significantly contributes to the nation's economy by supplying critical items and services to its expanding population. The expansion of assets, encompassing enhancements in physical assets, financial investments, and various tangible and intangible resources, is vital in assessing the financial performance of firms within this sector. As firms augment their asset base, they are more effectively positioned to scale operations, enhance productivity, and increase profitability. The nexus between asset expansion and financial performance in Nigeria's consumer goods sector is still inadequately examined (Aminu & Sharif, 2014).

Previous research has examined facets of asset management and financial performance across various sectors and geographies. Anuar et al. (2021) did a study on the influence of non-current assets on the performance of enterprises in the Malaysian construction sector. The study by Olonite et al. (2021) examined the impact of asset structure on the financial performance of publicly listed construction enterprises in Nigeria. Marian et al. (2022) conducted a study examining the influence of tangible non-current assets on the financial performance of food manufacturing enterprises in Nigeria, excluding all asset categories and industrial sectors.

Nonetheless, a deficiency exists in research that thoroughly investigates the correlation between asset growth and financial success across all manufacturing sectors in Nigeria, particularly with respect to current assets, non-current assets, total assets, net assets, return on equity, and return on assets.

The consumer goods sector in Nigeria have the capacity to facilitate economic development and diminish dependence on oil earnings. By analyzing the trends and factors influencing asset growth in consumer goods firms, policymakers can devise specific measures to promote sustainable industrial development. Moreover, in a globalized environment, Nigerian manufacturing enterprises encounter significant competition both locally and internationally. Comprehending the factors influencing asset expansion can yield insights for augmenting competitiveness, expanding productivity, and seizing market share in critical areas.

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In a volatile and competitive market such as Nigeria, consumer goods companies encounter numerous problems, including variable currency rates, inflationary pressures, and evolving consumer tastes. The expansion of assets may act as a crucial catalyst for financial resilience, allowing companies to endure economic disruptions and sustain profitability. An augmentation in production capacity via asset acquisition may yield elevated sales volumes, whereas investments in technology and infrastructure could produce operational efficiency and cost reductions (Olaniyan & Ogunyomi, 2018). Nonetheless, accelerated or poorly managed asset expansion can result in inefficiencies, resource underutilization, or heightened debt obligations, adversely impacting financial performance (Obara & Eno, 2021).

This study is motivated by the necessity to examine the effect of asset expansion on financial performance, specifically inside Nigeria's consumer goods sector. Considering the significance of this sector in fostering economic development and generating employment, a comprehensive examination of asset expansion strategies may yield beneficial insights for stakeholders, such as investors, policymakers, and business managers (Eze & Uzoigwe, 2020). Understanding this link can assist organizations in the sector in implementing better educated asset management strategies to enhance their financial performance.

This study will provides empirical information about the correlation between asset growth (current assets, non-current assets, total assets) and essential financial performance metrics, including return on assets (ROA), and return on equity (ROE) This would enhance the existing literature on corporate finance in emerging economies by providing targeted insights into the Nigerian context (Adeniyi & Abiodun, 2019).

Hypotheses of the Study

The hypotheses will be formulated in null form as follows:

- H₀₁: Non-current assets growth has no significant effect on the financial performance of listed consumer goods firms in Nigeria.
- H₀₂: Current assets growth has no significant effect on the financial performance of listed consumer goods firms in Nigeria.
- H₀₃: Total asset has no significant effect on the financial performance of listed consumer goods firms in Nigeria.
- H₀₄: Net asset growth has no significant effect on the financial performance of listed consumer goods firms in Nigeria.

The remainder of the study is structured as follows: Section 2 presents the literature review and theoretical framework of the study. Section 3 presents the research methodology, while section 4 highlights the data analysis and discussion of findings. Section 5 concludes and provides policy recommendations.

2. LITERATURE AND THEORETICAL REVIEW

This study is grounded in the agency theory articulated by Jensen and Meckling (1976). Agency theory posits that the relationship between asset growth and financial performance can be elucidated through the agency conflicts among various stakeholders within a firm, particularly between shareholders and managers. According to Jensen and Meckling (1976), the theory asserts that managers, as agents for shareholders, may prioritize their self-interests over the maximization of shareholder wealth. Consequently, asset growth can influence financial performance in multiple ways within this framework. Managers may be motivated to pursue asset growth to enhance their power, prestige, or compensation, even if such growth does not yield improved financial performance. This self-serving behavior can lead to investments in projects that fail to generate sufficient returns, ultimately detrimentally affecting financial performance.

Asset Growth

Asset growth denotes the augmentation of a company's overall asset worth within a certain timeframe. It assesses the firm's capacity to acquire and manage assets efficiently, which can enhance its growth and overall financial success. Jajang et al. (2019) assert that assets are resources that yield future economic advantages for the firm. Assets are utilized for the operational functions of the organization. An augmentation in assets is accompanied by an enhancement in the resultant outcomes, hence bolstering the confidence of stakeholders in the organization. This study utilizes non-current asset growth, current asset growth, total asset growth, and net asset growth as proxies for asset growth.

Aseinimieyefori et al. (2022) describe financial performance as a subjective assessment of a firm's ability to utilize its assets from its core business operations to create income. The phrase

is utilized as a comprehensive indicator of a company's overall financial well-being throughout a specified timeframe. The financial performance of a corporation is contingent upon multiple elements that directly or indirectly influence profitability. Akparhuere et al. (2019) asserted that financial performance denotes the benchmark assessment of how a specific matter is managed or executed effectively through knowledge, distinguished from mere possession of it. Badingatus et al. (2020) contended that the utilization of financial performance remains justifiable. This study utilizes return on assets (ROA) and return on equity (ROE) as proxies for financial performance.

Non-current assets Growth and Financial Performance

According to Penman (2013), non-current asset growth refers to the increase in the value of long-term assets held by a firm over a specific period. These assets typically include property, plant, equipment, intangible assets, and investments that are not intended for sale or conversion into cash within a year. According to Gibson (2012), non-current asset growth is an essential indicator of a firm's investment in its long-term productive capacity, expansion, and strategic development. Growth in these assets can indicate expansion initiatives or modernization efforts aimed at enhancing operational efficiency and competitiveness, which may positively impact financial performance over time (Rameezdeen & Harun, 2015).

Certain non-current assets, such as machinery, equipment, or infrastructure, directly contribute to revenue generation by enabling production or service delivery. Growth in these assets can lead to increased output or capacity, allowing the firm to capture additional market share or serve more customers, thereby boosting revenue and profitability. This claim has been supported empirically by Enekwe et al. (2023), who examined the effect of non-current assets on the financial performance of manufacturing firms in Nigeria. The regression result revealed that non-current assets have a positive significant effect on the return on assets of listed consumer goods firms. Similarly, Egwu et al. (2023) examined the investment in non-current assets and the performance of quoted manufacturing firms in Nigeria. Investment in intangible non-current assets also has a positive and significant effect on the return on assets.

In another vein, Ajewole et al. (2023) examined the relationship between tangible and intangible assets and the profitability of telecommunication firms in Nigeria. The results showed that tangible assets have a strong positive effect on Return on Assets. Whereas intangible assets have a negative and insignificant effect on Return on Equity. This study concludes that tangible assets are mostly used to boost ROA, but not as much for ROE, while intangible assets are better for growing ROE but not effective for ROA.

Etim et al. (2023) examined the investment in non-current assets and the performance of quoted manufacturing firms in Nigeria. Secondary data were collected from annual reports and accounts of the fifteen (15) selected quoted firms for the period of eight (8) years spanning from 2012 to 2019. The empirical results revealed that investment in tangible non-current assets has a positive and significant effect on the return on assets (ROA) of the selected manufacturing firms. Investment in intangible non-current assets also has a positive and significant effect on the return on assets.

Aseinimieyefori (2022) investigated the relationship between non-current asset investment and the financial performance of listed insurance firms in Nigeria between 2015 to 2020. The findings revealed that non-current assets investment has a negative and significant relationship with the financial performance of listed insurance firms in Nigeria.

Current Asset Growth and Financial Performance

Palepu et al. (2013) refer to current asset growth as the rate of change in the current assets of a firm over a specific period, such as a fiscal year. Current assets include cash, accounts receivable, inventory, and other assets that are expected to be converted into cash or used up within one year. Excessive growth in current assets with corresponding sales increases can lead to efficiencies and profitability. However, current asset increases without a corresponding increase in sales can lead to inefficiencies and reduced profitability (Al-Najjar & Hussainey, 2011).

Studies have explored the effect of current asset growth on financial performance and found that the effect is insignificant. For example, Babatunde (2022) investigated the impact of current asset investment and financial performance on the sustainable development of industrial goods. The study concluded that current assets do not affect financial performance. This finding is in line with the study of Nangih et al. (2020), who found that current assets do not affect financial performance. This finding is in line with the study of Adesina and Afolabi (2020), Baafi et al. (2020), and Nangih et al. (2020), who found that current assets do not affect financial performance. On the other hand, Major et al. (2022); Muli et al. (2022); Osirim and Moses (2019) found that current assets had a negative effect on financial performance.

Ullah and Ahmed (2019) investigated the impact of current and non-current assets on the profitability of pharmaceutical firms in Pakistan using 9 years of data which was obtained from six pharmaceutical firms listed on the Karachi Stock Exchange from 2010 to 2018. The study findings revealed that investment in current assets has a positive impact and a significant relationship with the return on assets of pharmaceutical firms in Pakistan. Similarly, Baafi et al. (2020) examined the effect of the current ratio, quick ratio, and cash ratio on the return as assets, return on equity, and return on capital employed of firms in Ghana. Data extracted from the audited and published annual reports of twenty-one (21) firms for the period 2008 to 2019 was analysed using ANCOVA, which revealed that liquidity positively affects return on assets but does not affect ROE.

Total Asset Growth and Financial Performance

Ross et al. (2017) defined total asset growth as the percentage increase in the total assets of a firm over a specific period, typically measured annually or quarterly. Total assets include all of a firm's resources, both tangible and intangible, such as cash, inventory, property, plant, equipment, and investments. Total asset growth is an important financial metric that indicates the expansion or contraction of a firm's asset base over time. Brealey et al. (2017) assert that total asset growth is commonly used by investors, analysts, and managers to assess a firm's ability to expand its operations, invest in new projects, and generate future revenue. It can also provide insights into a firm's financial health, efficiency, and long-term sustainability. Total

asset financing facilities, according to Rahman (2014), provide great flexibility because the firm does not have to go through the entire underwriting process again. This benefit is particularly important for firms that are rapidly growing and require additional funding, such as insurance firms. This means that lenders are more likely to have physical assets as a guarantee that at least a portion of the money borrowed can be recouped. As pledged securities whose value fluctuates with the market are frequently employed for this reason, margin loans are particularly sensitive to the underlying value of collaterals. As a result, a firm's total assets typically include valuation and tangible, hard assets such as property, equipment, plant, and inventory (Rahman, 2014).

Empirical studies such as Rina et al. (2023) investigated the effect of asset growth and firm size on financial performance with capital structure as an intervening variable. The results revealed that asset growth affects financial performance. Ratnaningtyas (2023) determined the effect of the current ratio (CR) and total assets turnover on stock prices and return on assets (ROA) as intervening variables in Hotels, Restaurants, and Tourism Firms during the COVID-19 pandemic. The results showed that the variables that have a significant effect on ROA are total assets. Ndungu'u et al. (2022) examined the effect of total assets on the financial performance of food and beverage manufacturing firms in Nakuru County, Kenya. The findings of the study show a positive significant relationship between total assets and the financial performance of food and beverage manufacturing firms in Nakuru county, Kenya. Also, Sari et al. (2021) determined the effect of current ratio, total asset turnover, and firm growth on firm value and debt-to-equity ratio as moderating variables in the consumer goods industry sector listed in the Indonesia Stock Exchange in 2015-2019. The results of this study indicated that total asset turnover had a significant effect on firm value.

In contrast, Isnartik et al. (2021) analyzed the effect of total asset turnover and profitability on firm value in food and beverage firms listed on the Indonesia stock exchange from 2010- 2019. The study's findings indicated that total asset turnover has an insignificant effect on firm value. Similarly, Temuhale and Ighoroje (2021) examined the effect of asset structure and capital structure on the performance of quoted industrial goods firms in Nigeria from 2011 to 2019. The study concluded that asset structure does not meaningfully affect the performance of industrial goods firms.

Manafa et al. (2023) examined the effect of asset structure on the performance of oil and gas firms in Nigeria. The population of this study consists of the 18 listed deposit money banks in Nigeria. The results of the multiple linear regression analysis revealed that there is a significant effect of property plants and equipment on the performance of oil and gas firms in Nigeria.

Net Assets Growth and Financial Performance

Net asset growth refers to the increase or decrease in the total value of a firm's assets over a period. It represents the net change in the value of all assets owned by the firm after accounting for factors such as investments, acquisitions, disposals, depreciation, and other changes in asset values. Increasing net asset growth often indicates expansion in a firm's asset base, which can enable the firm to generate higher revenue. Net asset growth can contribute to improved

profitability if the additional assets generate higher returns than the cost of acquiring or maintaining them. Net assets are calculated as total assets less total current liabilities.

There are dearth of empirical literature on net asset growth on financial performance. Few studies, such as Farkoosh et al. (2012), examined the effect of net asset value in purchasing the shares of investment firms in Iran. The result shows that net asset value has a key role in investment decisions. In Nigeria, Oliver et al. (2017) evaluated the relationship between assets growth rate and the financial performance of manufacturing firms in Nigeria from 2006 to 2015. Results showed that the net asset growth of manufacturing firms in Nigeria has a significant positive effect on financial performance.

3. RESEARCH METHODOLOGY

This study adopts an ex post facto research design. The sample of the study is 14 listed consumer goods firms on the Nigerian Exchange Group (NGX), drawn from a population of 21 listed firms. The data were extracted from the annual report of the sampled firm spanning from 2013 to 2022 (10 years).

Model Specification and Measurement of Variables

This study examines the effect of asset growth on value creation in consumer goods firms in Nigeria. The model of Fredrick (2012) will be augmented for this study, and it takes the form below:

$$ROA_{it} = \beta_{0it} + \beta_1 NCAG_{it} + \beta_2 CAG_{it} + \beta_3 TAG_{it} + \beta_4 NAG_{it} + \varepsilon_{it}$$

$$ROE_{it} = \beta_{0it} + \beta_1 NCAG_{it} + \beta_2 CAG_{it} + \beta_3 TAG_{it} + \beta_4 NAG_{it} + \varepsilon_{it}$$

Table 1: Variable measurement

Variable	Description	Measurement	Source
Return on Asset (ROA)	Dependent variable	Proportion of net income to total asset	
Return on Equity (ROE)	Dependent variable	Proportion of net income to total equity	
Non-current asset growth (NCAG)	Independent variable	Measured as assets, which typically include property, plant, equipment, intangible assets, and investments that are not intended for sale or conversion into cash within a year	Palepu et al. (2013)
Current asset growth (CAG)	Independent variable	Measured as the rate of change in the current assets of a firm over a year. Current assets include cash, accounts receivable, inventory, and other assets that are expected to be converted into cash or used up within one year	Palepu et al. (2013)
Total asset growth (TAG)	Independent variable	Measured as the percentage increase or decrease in the total assets of firms over a year.	Ross et al. (2017)
Net asset growth (NAG)	Independent variable	Measured as total assets less total liabilities	Oliver et al. (2017)

Source: Authors computation (2024)

4. DATA ANALYSIS AND DISCUSSION

Descriptive Analysis

The descriptive statistics show the structure of each variable in this study. The results of descriptive analysis for these variables employed are presented in Table 2.

Table 2: Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
ROA	.1071925	.7507292	-4.57079	6.174312
ROE	.369064	1.987314	-5.5957	19.33906
NCAG	.1403773	.6008697	-.4145893	6.410876
CAG	.270538	.8658528	-.79933	6.410876
TAG	.2258294	.9233365	-.79933	6.410876
NAG	.285595	1.764757	-.78773	19.32958

Source: Stata output (2024)

The table 2 above is the descriptive statistics of the variables. Notably, ROA and ROE exhibit mean values of 10.7% and 36.9%, respectively, indicating positive average returns. However, the deviation from the average is 75.07% and 198.7%. This indicates that consumer goods firms is highly volatile. The average non-current assets growth (NCAG) shows an average percentage of 14.03% with a deviation of 60.08%. This is similar to current asset growth (CAG), which has an average of 27.05% with a deviation of 92%. The average value of total asset growth grew by 22.5% with a deviation of 92.3. This implies that the growth rate of these asset classes is positive. In contrast, the average value of net asset growth is 28.55%. This implies that the consumer goods firms are operating at a loss.

Correlation Matrix

Table 3: Correlation Matrix

	ROA	ROE	NCAG	CAG	TAG	NAG
ROA	1					
ROE	0.1629	1				
NCAG	0.0324	-0.0148	1			
CAG	0.1290	-0.0411	0.5553	1		
TAG	0.0229	-0.0062	0.5145	0.4191	1	
NAG	-0.0269	-0.0062	0.0746	0.0407	0.0525	1

Source: Stata output (2024)

Table 3 is the correlation matrix of the result, which explains the directional relationship between the independent variable and dependent variables. It shows that the relationship between ROA and non-current asset growth, current asset growth, and total asset growth is positive. That is, an increase in these asset classes results in a increase in ROA. In contrast, the relationship between net asset growth and ROA is negative. When financial performance is proxied with ROE, the relationship with all asset classes is negatively correlated. Implying that the relationship between asset growth and financial performance depends on the performance indicator used.

Diagnostic Tests

Table 4: Multicollinearity Test

Variable	VIF	1/VIF
CAG	1.68	0.593706
NCAG	1.50	0.667384
TAG	1.41	0.709335
NAG	1.01	0.994151
MEAN VIF	1.40	

Source: Stata output (2024)

Table 4 above provides the result of the multicollinearity test. The study carried out variance inflation factor (VIF) and tolerance value (TV) to ascertain the existence of multicollinearity, as pointed out in Table 4. The result shows that the mean of the mean VIF was 1.40, which is within the threshold of 10. The VIF for individual variables such as current asset growth, non-current asset growth, and total asset growth are also within the threshold. This points to the fact that the explanatory variables included in the model were uncorrelated, indicating the absence of multicollinearity between the variables.

Heteroscedasticity Test

The study carries out a test for the existence of heteroscedasticity using the Breusch – pagan / Cook–Weisberg test for the homoscedasticity assumption of the OLS regression. Homoscedasticity assumes a constant variance of the residuals. The decision rule is that if the P- P-value is significant at 10%, there is sufficient proof to reject the null hypothesis. The result of the test is presented below.

Table 5: Heteroscedasticity Test

	Chi2 (1)	Prob> Chi2
ROA	10.61	0.0001
ROE	8.24	0.0064

Source: Stata output (2024)

The result from the above test indicates a chi-square value of 11.46 and a probability of 0.0007. The result signifies that the null hypothesis is significant at 1%; therefore, the null hypothesis is rejected. This indicates that the homoscedasticity assumption is not met. Therefore, the presence of heteroscedasticity is established. To correct the presence of heteroscedasticity, the study uses robust panel regression as the technique for analysis, accounting for heteroscedasticity. Considering the nature of the data, the study envisages that the OLS may not provide reliable estimates.

Test of Hypotheses

The procedure for testing the hypotheses involves estimating the panel model using panel fixed regression for both models.

Table 6: Robust Panel Regression

	ROA				ROE			
	Coef.	Standard Error	T	p> t	Coef.	Standard Error	t	p> t
NCAG	.29482	.050773	5.81	0.000	.3333849	.0479474	6.96	0.000
CAG	.219081	.047246	4.64	0.000	.167713	0.060944	2.75	0.006
TAG	.012613	.022460	0.56	0.575	-.001335	.0225552	-0.06	0.953
NAG	-.07519	.053191	-1.41	0.160	.3532721	.180451	1.96	0.052
Hausman	25.90			0.000	12.47			0.001
R ² = 0.2689					R ² = 0.3491			

Source: Stata output (2024)

Table 6 shows that the Hausman test which was conducted to determine between fixed and random effect favours the fixed effect model. The coefficient of determination (R^2), which explains that 26.89% of the variations in the ROA of listed consumer goods firms can be explained by asset growth proxied as non-current assets, current assets growth, net assets growth, and total asset growth. On the other hand, the R^2 is 34.91 when financial performance is proxied as ROE.

The panel regression results in Table 6 show that non-current asset growth has a significant negative effect on ROA at a 5% significant level. Therefore, the null hypothesis, which states that non-current asset growth has no significant effect on financial performance, is rejected, and the alternate hypothesis is accepted. The finding implies that a unit increase in non-current asset growth results in an increase in ROA by 29.4%. Similarly, when financial performance is proxied with ROE, the result is positive and significant at 5% with an increase in ROE by 33.3%. Hence, the null hypothesis is rejected. This study implies that non-current asset growth may signal expansion and investment in future growth opportunities. In contrast, Mmuogbo et al. (2024), argued that expansion of non-current assets can strain liquidity, increase financing costs, and reduce profitability. It may also indicate misallocation of resources or overinvestment in assets that do not generate sufficient returns. Other studies, such as Nangih and Emeka (2021) and Nangih et al. (2020), also support the notion that non-current assets have an insignificant effect on return on assets.

The second hypothesis, which states that current asset growth does not significantly affect financial performance, is rejected at a 5% significant level. Hence, the alternate hypothesis is accepted, which states that current asset growth has a significant effect on financial performance. Implying that an increase in current asset growth results in an increase in ROA by 21.9%. On the other hand, when financial performance is proxied using ROE, the result is significant. The study implies that current asset growth has a significant positive effect on financial performance when measured by ROA and ROE. According to Mmuogbo et al. (2024), current asset growth is often regarded as a vital indicator of a firm's operational efficiency, liquidity management, and growth prospects. When managed effectively, increasing current assets can enhance a firm's ability to meet short-term obligations, support revenue generation, and improve overall financial health. Gitman and Zutter (2015) assert that the significant positive effect of current asset growth on financial performance highlights its importance in

driving operational efficiency, supporting growth initiatives, and enhancing investor confidence. Firms should strive to maintain optimal levels of current assets, while aligning growth strategies with long-term financial sustainability goals. Increasing current assets particularly accounts receivable and inventory, can signify efficient sales and production processes. Faster receivables and inventory turnover allow firms to convert sales into cash more quickly, reduce financing costs, and improve cash flow management.

The result shows that total asset growth does not significantly affect financial performance when proxied with ROA and ROE. Therefore, the null hypothesis is accepted because the p-value is higher than the 5% significant level. It aligns with Anuar et al.'s (2021), Isnartik et al.'s (2021) and Mmuogbo et al. (2024) study that total assets do not significantly affect firm performance. The relationship between total asset growth and financial performance is influenced by various factors, including industry dynamics, economic conditions, and management decisions. While rapid asset growth may signal expansion and potential for increased revenue, it can also pose challenges such as higher financing costs, resource allocation inefficiencies, and reduced profitability margins. Rajan and Zngales (1998) argued that a firm's financial constraints or operating inefficiencies may experience limited benefits from asset growth. For instance, firms with inadequate access to capital may struggle to finance expansion initiatives, while those with poor operational efficiency may fail to generate sufficient returns from new investments, leading to insignificant effects on financial performance.

The hypothesis, which states that net asset growth does not significantly affect financial performance, is accepted at a 5% significant level when proxies with ROA. However, the result is different when proxied with ROE. The result shows that net asset growth has a significant positive effect on ROE at a 5% significant level. Implying that a unit increase in net asset growth results in an increase in ROE by 35.3%. Previous studies, such as Mwaniki and Omagwa (2017) and Oliver et al. (2017), highlight the substantial effect of net asset growth on financial performance. The capacity to manage asset growth without excessive leverage ensures firms uphold a robust debt-to-equity ratio, essential for sustaining rROE. Companies that depend heavily on debt for asset expansion may incur elevated interest expenses, potentially diminishing net income and reducing ROE. Consequently, balanced asset growth, financed through retained earnings or equity, positively influences ROE by preserving profitability and financial stability (Adeniyi & Abiodun, 2019). Empirical research corroborates the favorable correlation between net asset growth and ROE. Likewise, Obara and Eno (2021) highlighted that sustained asset growth, coupled with effective asset management strategies, leads to increased ROE over time.

5. CONCLUSION AND RECOMMENDATION

The study examined the effect of asset growth on the financial performance of listed consumer goods firms in Nigeria from 2013 to 2022. The specific objectives of the study are to examine the effect of non-current asset growth, current asset growth, net current asset growth, and total growth on financial performance (ROA and ROE). The following conclusions are made the

significant positive effect of non-current asset growth on financial performance underscores the importance of prudent asset management and strategic investment decisions within organizations. The findings suggest that an increase in non-current assets can influence financial resources, leading to diminished profitability and overall performance. The observed positive relationship indicates that increases in current asset levels are often associated with investment in productive assets, expansion initiatives, or inventory buildup to support sales growth. Such strategic investments contribute to enhanced revenue generation and overall profitability in the long run. The insignificant effect of total asset growth on financial performance may indicate the presence of diminishing returns to scale or diseconomies of scale. As organizations expand their asset base, they may encounter challenges in efficiently managing and leveraging these resources, leading to suboptimal outcomes in terms of profitability and efficiency. The negative coefficient associated with net asset growth suggests that growth in net assets affect financial performance. This finding underscores the importance of strategic asset management and allocation decisions within organizations.

Based on the findings presented in this study on financial performance and asset growth in Nigerian consumer goods firms, the study recommends the following:

- i. Consumer good firms should strive for a balanced approach to non-current asset growth, considering both short-term financial implications and long-term strategic objectives. By exercising discipline, foresight, and sound judgment in asset management decisions. This way, businesses can optimise financial performance, enhance resilience, and create sustainable value for stakeholders in dynamic and competitive environments.
- ii. Consumer goods ought to adopt effective inventory management systems to sustain an optimal level of current assets, particularly in the consumer products sector where stock turnover is essential. By minimising surplus inventory and enhancing stock rotation, companies can liberate capital, decrease storage expenses, and augment liquidity, so positively influencing financial performance.
- iii. Consumer goods firms should focus on acquiring assets that have the potential to generate high returns such as investment in technology, infrastructure, and innovations can improve operational efficiency, increase revenue and ultimately boost profitability, leading to higher ROE.

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