



RESEARCH ARTICLE

The Impact of Effective Asset Management on Financial Performance of Nigerian Consumer Goods Corporations

Festus Ndubuisi Nkwo^{1*} & Sylvia Nnenna Eneh PhD²

Department of Accountancy, Ignatius Ajuru University of Education, Nigeria¹

Department of Accountancy, University of Nigeria, Nsukka, Enugu, Nigeria²

*Corresponding Author

ABSTRACT

The study examined the impact of effective asset management on financial performance of Nigerian consumer goods corporations. The specific objectives of the study were to determine the effect of Account Receivables Turnover Ratio, Inventory Turnover Ratio and Property, Plant and Equipment (PPE) Turnover Ratio on Return on Assets (ROA) of Consumer Goods Firms in Nigeria. The research design employed in this study was *ex post facto*, spanning the years 2013 to 2022. Secondary data were extracted from the annual reports and accounts of the selected consumer goods firms in Nigeria. The data analysis involved multiple panel regression using a fixed effect model. The result revealed that the Account Receivables Turnover ratio has a positive (t-Statistic 2.92988) and significant (p-value 0.0267) effect on the Return on Assets of the sampled Consumer Goods Firms in Nigeria. Similarly, the Inventory Turnover Ratio demonstrated a positive (t-Statistic of 4.41911) and significant (p-value 0.0010) effect on the Return on Assets of these firms. Additionally, the Property, Plant, and Equipment Turnover Ratio exhibited a positive (t-Statistic 2.25927) and significant effect (p-value 0.0140) on the Return on Assets of the sampled Consumer Goods Firms in Nigeria. The findings implies that efficient management of account receivables, inventory, and property, plant, and equipment turnover can significantly contribute to enhancing the financial performance of consumer goods firms in Nigeria. In conclusion, the study demonstrates the positive and statistically significant effects of Account Receivables Turnover, Inventory Turnover, and Property, Plant, and Equipment Turnover Ratios on the Return on Assets of consumer goods firms in Nigeria. The study recommended that management of consumer goods firms in Nigeria should focus on optimizing their account receivables, inventory, and property, plant, and equipment turnover as strategies to improve financial performance.

Keywords: *Effective Asset Management; Financial Performance; Nigerian Consumer Goods Corporations*

Introduction

The effective management of business performance in today's intricate and swiftly changing commercial landscape is imperative for the short-term and long-term prosperity of any organization. To uphold investor trust and furnish valuable insights to top management, there is a rising demand for organizations to offer forward-looking perspectives on business trends and performance drivers. Consequently, performance stands as the fundamental pillar for all types of organizations, whether business-related or non-business-oriented. Its significance lies in the fact that underperformance can result in failure. Karaduman, et al. (2011) assert that a firm's sustainability hinges heavily on the competence and success of its financial management function. They further assert that corporate finance encompasses capital budgeting, capital structure, and asset management. Salman and Yazdanfar (2012) affirm that a firm's performance is predominantly influenced by various factors, with one of the most critical being its asset management. Assets serve as the lifeblood of any firm (Muhindo & Rwakihembo, 2021). The Financial Accounting Standards Board (FASB) defines assets as "future economic benefits likely to flow to a particular entity as a result of past transactions or events." Firms cannot commence or expand their operations without assets, as they rely on them to manufacture their products. These assets gauge the firm's

capacity to endure and compete with other enterprises (Reyhani, 2012).

Nnado and Ozouli (2016) contend that it is typical for most businesses to possess various types of assets expected to yield benefits over multiple accounting years, necessitating specialized treatment. Ubesie (2013) proposes that the need for asset investments varies significantly among companies, with manufacturing firms relying on the composition of assets, including non-current and current assets, for effective and efficient organizational operations. He further suggests that non-current assets constitute the core engine of every business organization

and that the adept utilization of these capital-intensive assets can be the determining factor between profit and loss. Ubesie (2013) also observes that if property, plant, and equipment (PPE) lie idle or do not generate sufficient cash flow, it can adversely affect the firm's value and financial well-being.

However, Olatunji et al. (2014) posit that no firm can sustain itself without some level of investment in corporate assets. They additionally argue that investments in assets such as land, buildings, plant and machinery, fixtures, fittings, and long-term prepayments enhance a firm's productive capacity and long-term profitability. These categories of corporate assets undergo infrequent changes and are acquired to augment a firm's productive capacity, ultimately leading to increased sales. Therefore, corporate assets play a substantial role in determining the efficiency of a firm's operations.

Traditionally, there exists a positive correlation between manufacturing companies and non-current assets because the nature of these companies necessitates a high proportion of non-current assets to transform raw materials into finished goods. Aguzzi and Payne (2007) opine that the asset structure in manufacturing companies typically involves increased investments in non-current assets and reduced investments in current assets. Furthermore, the substantial growth in non-current assets should result in augmented profits since the utilization of these assets translates to higher production and sales (Kantudu, 2008). This study, therefore, assesses the impact of effective asset management on financial performance of Nigerian consumer goods corporations.

Statement of the Problem

In an ideal scenario, Nigeria's consumer goods sector would thrive as an enticing investment destination for Fast Moving Consumer Goods (FMCG) companies worldwide. This would be facilitated by strong demographics, a growing middle-income class, and sustained economic growth. The sector would display robust performance, characterized by high GDP growth rates and a conducive operating environment.

However, the reality presents several challenges. Following the 2008 global economic recession, the consumer goods sector in Nigeria has encountered obstacles, including sluggish economic recovery, limited consumer spending, and escalating income inequality. This is evidenced by the sharp decline in GDP growth rates, dropping from 4.8% before the recession to a mere 1.7% afterward. Furthermore, the industry faces difficulties due to inadequate infrastructure, rising inflation, trade and foreign exchange restrictions, porous borders, and logistical hindrances. The advent of COVID-19, coupled with declining oil prices, has further exacerbated the situation, leading to impending economic recession. The consumer goods sector, heavily reliant on imported raw materials, grapples with foreign exchange illiquidity.

In addition to systemic risks, the performance of consumer goods firms in Nigeria is influenced by managerial (unsystematic) risks. Effective management plays a pivotal role in an organization's success, with decisions impacting various aspects such as asset management, liquidity, and overall business operations. Proper asset management is crucial as assets generate revenue, enhance business value, and support daily operations. Well-managed assets ensure consistent profits and increased dividends for shareholders. The management of assets can ultimately determine whether a firm experiences financial success or failure. The lack of effective asset management could result in persistent financial struggles for firms, leading to reduced shareholder returns and potentially causing some firms to fold.

Economic factors undoubtedly contribute to this poor performance, but the extent to which management deficiencies contribute remains uncertain. Consequently, this study seeks to assess the impact of effective asset management on financial performance of Nigerian consumer goods corporations.

Objectives of the Study

The main objective of the study is to determine the impact of effective asset management on financial performance of Nigerian consumer goods corporations. The specific objectives were to:

1. Evaluate the effect of Account Receivables Turnover Ratio on Return on Assets of Consumer Goods Firms in Nigeria.
2. Ascertain the effect of Inventory Turnover Ratio on Return on Assets of Consumer Goods Firms in Nigeria.

3. Determine the effect of Property, Plant and Equipment Turnover Ratio on Return on Assets of Consumer Goods Firms in Nigeria.

Research Questions

The following research questions guided the study:

1. What is the effect of Account Receivables Turnover Ratio on Return on Assets of Consumer Goods Firms in Nigeria?
2. What is the effect of Inventory Turnover Ratio on Return on Assets of Consumer Goods Firms in Nigeria?
3. What is the effect of Property, Plant and Equipment Turnover Ratio on Return on Assets of Consumer Goods Firms in Nigeria?

Statement of Hypotheses

The following hypotheses stated in null form (H_0) were formulated for this research:

1. H_{01} : Account receivables turnover ratio has no positive and significant effect on Return on Assets of Consumer Goods Firms in Nigeria.
2. H_{02} : Inventory turnover ratio has no positive and significant effect on Return on Assets of Consumer Goods Firms in Nigeria.
3. H_{03} : Property, plant and equipment turnover ratio has no positive and significant effect on Return on Assets of Consumer Goods Firms in Nigeria.

Scope of the Study

The study covered a period of ten years (2013 to 2022). The study made use of nine active firms from Nigeria consumer goods sector which are listed on the Nigerian Exchange Group (NGX) within the relevant period (2013-2022). These firms include: Guinness Nigeria Plc, Unilever Nigeria Plc., Nigerian Breweries Plc, Flour Mills Nigeria Plc, Cadbury Nigeria Plc, PZ Cussons Nigeria Plc, Honeywell Flour Mills Nigeria Plc, Nestle Nigeria Plc. and Dangote Sugar Nigeria Plc. The study focused on specific asset management indicators, which included the account receivable turnover ratio, inventory turnover ratio, and PPE turnover ratio. Meanwhile, financial performance was represented by return on assets (ROA).

Conceptual Review

Account Receivables Turnover Ratio

This ratio assesses how efficiently a company is collecting payments from its customers. It is calculated by dividing net credit sales by the average accounts receivable balance during a specific period. A higher accounts receivable turnover ratio suggests that the company is collecting payments more quickly. Van Horne and Wachowicz (2008) posited that in order to calculate this ratio, receivables are divided by annual net credit sales.

Accounts receivable represents the money owed to a company for goods or services delivered but not yet paid for by customers. The receivable turnover ratio is a crucial indicator for assessing a company's financial efficiency. It provides insights into the quality of a company's receivables and its success in collecting outstanding payments.

Horne and Wachowicz (2008) emphasize that the receivable turnover ratio offers valuable information, primarily indicating how many times accounts receivable have been converted into cash over the year. A higher turnover ratio suggests a shorter time between the sale and cash collection, reflecting efficient collection practices. Additionally, the ratio indicates how often, on average, receivables are collected within the year (Subramanyam and Wild, 2009).

Robert (2001) outlines five key steps in managing accounts receivables: deciding to whom credit should be extended, establishing credit terms, monitoring collections, assessing receivables' liquidity, and ultimately receiving cash payments from accounts receivable holders. He underscores the critical importance of determining which customers should receive credit, as being overly generous with credit terms can lead to extending credit to risky clients who may not fulfill their payments. Conversely, overly strict credit terms can result in lost sales.

$$\text{Accounts Receivable Turnover} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

Where:

Net Credit Sales represents the total credit sales made during a specific period, typically a year.

Average Accounts Receivable is the average amount of accounts receivable (money owed to the company by customers) over the same period. It can be calculated as:

$$\text{Average Accounts Receivable} = (\text{Beginning Accounts Receivable} + \text{Ending Accounts Receivable}) / 2$$

Inventory Turnover Ratio

This ratio measures how efficiently a company is managing its inventory. A higher inventory turnover ratio generally indicates that a company is selling its inventory quickly.

Effective inventory management is crucial for the smooth operation of Consumer Goods Firms. Inventory encompasses various categories, including raw materials, work in progress, spare parts, consumables, goods in transit, and finished products. While organizations may not deal with all these inventory types, efficient management is essential since a significant portion of a company's funds is typically tied up in inventory. Inventory management plays a pivotal role in decision-making across the entire product lifecycle, from manufacturing and distribution to sales (Flanagan, 2005).

Inventory holds a substantial position among an organization's current assets. According to Moore, Lee, and Taylor (2003), it can represent up to 40% of the capital in industrial organizations. Sawaya and Giauque (2006) go further, suggesting that inventory can constitute 33% of a company's total assets and even as much as 90% of working capital. Given the significant role inventory plays in a company's assets, implementing effective inventory management practices becomes paramount. These practices ensure sustainable growth, profitability, and the continuity of business operations. Inventory management is both an art and a science, involving the skillful maintenance of stock levels for specific item groups while minimizing costs in alignment with liquidity and profitability targets defined by management (Jessop, 1999). Subramanyam and Wild (2009) highlight one crucial tool for assessing liquidity and inventory quality: the inventory turnover ratio (ITR). This metric measures how quickly inventory flows in and out of a company and is calculated as Average Inventory divided by Cost of Goods.

It is calculated by dividing the cost of goods sold (COGS) by the average inventory for a specific period.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}}$$

Property, Plant and Equipment (PPE) Turnover Ratio

The Property, Plant, and Equipment (PPE) Turnover Ratio is a financial ratio that measures how efficiently a company is utilizing its property, plant, and equipment assets to generate revenue or sales. This ratio is particularly relevant for businesses that heavily rely on physical assets like manufacturing or industrial companies. It helps assess how effectively the company is using its fixed assets to generate sales.

Every organization relies on investments in property, plant, and equipment to maintain its operations. These non-current assets, such as land, buildings, machinery, fixtures, fittings, and vehicles, play a crucial role in enhancing a company's production capacity. Profits are often the outcome of wise investments in these assets, ensuring sustained long-term profitability. Unlike other assets, this category remains relatively stable and is acquired primarily to increase production and sales. Therefore, evaluating the efficiency of property, plant, and equipment usage should be based on their relationship with sales. According to Pandey (1999), the non-current asset turnover ratio assesses how effectively a company is leveraging its investments in property, plant, and equipment. It also provides insights into the proportion of sales relative to the investment in non-current assets. In essence, a high property, plant, and equipment turnover ratio signify efficient utilization of these assets in generating sales, while a low ratio suggests inefficient management and underutilization of non-current assets.

The formula for calculating the Property, Plant, and Equipment Turnover Ratio is:

$$\text{PPE Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Net PPE}}$$

Financial Performance

Financial performance refers to the ability of Nigerian consumer goods corporations to achieve their financial objectives and goals, particularly in terms of profitability, efficiency, and overall fiscal health. It encompasses various financial metrics and indicators that assess how effectively these corporations manage their assets, generate profits, and maintain sustainable financial stability. Ramiz and Junrui (2014) provided a definition of performance as the attainment of tangible, specific, measurable, valuable, and personally meaningful objectives. Watkins (2007) explained that performance is characterized as valuable outcomes, achievements, or contributions delivered by an individual or organization, regardless of the preferred or mandated methodologies employed. In this study, the financial performance metric employed is the Return on Assets (ROA).

Return on Assets (ROA).

ROA is a financial ratio that measures the corporation's ability to generate profits relative to its total assets. It assesses how efficiently the corporation utilizes its assets to produce earnings. A higher ROA indicates that the corporation is more effective at converting its assets into profits, which is a key aspect of financial performance.

It is calculated by dividing a company's net income (profits) by its total assets. The formula for ROA is:

$$ROA = \frac{\text{Net Income} \times 100}{\text{Total Assets}}$$

Theoretical Framework

This study is underpinned on the asset profitability theory, which posits that having an adequate amount of assets can potentially lower risks and bankruptcy expenses, consequently enhancing a firm's overall performance.

Asset Profitability Theory

Asset Profitability Theory was propounded by Jegers Sathamoorthi in the year 2002. The theory argues that an increase in the current asset to total assets ratio negatively impacts firms' profitability. Conversely, an increase in the current liabilities to total liabilities ratio has a positive effect on profitability. The theory suggests that a decrease in the current asset to total assets ratio and an increase in the current liabilities to total liabilities ratio, when considered individually, lead to increased profitability along with a corresponding rise in risk. An increase in the current assets to total assets ratio reduces profitability because it assumes that (i) current assets are less profitable than non-current assets, and (ii) short-term funds are less costly than long-term funds. Conversely, a decrease in the current assets to total assets ratio results in increased profitability as well as increased risk.

Empirical Review

Kinuthia, Maimba, and Mwangi (2020) examined the relationship between the working capital management and the financial performance of the listed manufacturing firms in Kenya. The specific objectives of the study were to determine the effect of inventory turnover days, debtors' collection period, creditors' payment period and cash flow ratio on the financial performance of listed manufacturing companies in Kenya. In addition, the study sought to establish the moderating effect of annual GDP growth rate on the relationship between the working capital management and financial performance listed manufacturing companies in Kenya. The study was guided by agency, corporate risk management and Miller-Orr theories. Descriptive, correlational and quantitative research designs were used in the study. Secondary panel data was collected from annual financial reports and financial statements of listed companies in Nairobi Securities Exchange using data collection sheets. The study adopted census of the twenty listed manufacturing companies in the NSE from 2010 to 2017.

Olaoye, Akintola, and Ogundipe (2019) examined the impact of working capital management on profitability of selected quoted Nigeria manufacturing companies from 2006-2015. Secondary panel data was used for the study. The results showed that Account collection period (ACP), Account payment period (APP), and Inventory Turnover in Days (ITID) have negative effect on the Net Operating Profitability of quoted manufacturing companies in Nigeria. Uguru, Chukwu, and Elom (2018) examined the effect of working capital management on the profitability of brewery firms in Nigeria. This study adopts the ex-post-facto research design and employed the Ordinary Least Square (OLS)

regression technique in analyzing the data. The findings suggest that the management of the number of days account receivables are outstanding, numbers of days inventory are held, and cash conversion cycle are significant factors in the accomplishment of the profitability objective of brewery firms in Nigeria.

Mohsin, Muhammad, and Salman (2019) examined the effects of working capital management i.e. inventory management, receivable management and payable management, on the performance of the non-financial firms in Pakistan. Panel data of 280 nonfinancial firms enlisted in Pakistan Stock Exchange have been analyzed from 2000 to 2016. Firms' profitability was proximate with return on assets and return on equity; whereas for growth i.e. sales growth and asset growth were used. Results suggest inventory management does influence the firms' growth and Payable management significantly affects the firms' profitability. However, only receivable management influences both profitability and growth.

Olaoye, Adekanbi, and Oluwadare (2019) examined working capital management and firms' profitability in Nigeria quoted firms on Nigerian Exchange Group (NGX). A panel data methodology was used with different regression estimators to analyze this relationship based on a balanced panel of 10 listed firms during the period 2008-2017. It was discovered that cash collection period and cash payment period exerted a negative impact on return on assets, though the impact was only significant for cash payment period on the ground of -0.064 ($p = 0.000 < 0.05$), as against the estimate for cash collection period that stood at -0.032 ($p = 0.077 > 0.05$). Also discovered was that both the current ratio and inventory period exerted a positive impact on return on assets, though the impact was only significant for current ratio on the ground of 8.172 ($p = 0.000 < 0.05$), as against the estimate for inventory period that stood at 0.045 ($p = 0.438 > 0.05$).

Akparhuere, Duru, and Ogbu (2019) ascertained the effect of asset management efficiency on corporate performance of building and construction companies in Nigeria. To accomplish the main objective three specific objectives were formulated. These include examining the effects of asset turnover, inventory turnover and working capital turnover on profit after tax (proxy for performance). The study adopted the ex-post facto research design and secondary data were collected on the independent and dependent variables for ten (10) years, i.e. 2006-2017. The data were analyzed using simple regression method and it was found that net asset turnover and working capital turnover did not have significant effect on performance of building and construction companies in Nigeria. On the other hand, inventory turnover had significant effect on corporate performance of building and construction companies of Nigeria.

Inyama, et al. (2017) evaluated the relationship between assets growth rate and financial performance of manufacturing firms in Nigeria. Six (6) firms were selected from the twenty-two (22) manufacturing firms listed on the Nigerian Exchange Group (NGX) and secondary data collected from the firms for ten years' period (2006 – 2015). Using Pearson Product Moment Correlation Matrix and Multiple Regression, result shows that non-current assets growth rate and net assets growth rate of manufacturing firms in Nigeria positively and strongly related with the profit for the year of the firms for the period of 2006 – 2015, while current assets growth rate positively and weakly related with the profit for the year of the firms for the period.

Hassan, Imran, Amjad and Hussain (2014) examined the effect of working capital management on the performance of listed non-financial firms in Pakistan. Ordinary Least Square technique was employed to analyse data collected from non-financial firms listed on the Karachi Stock Exchange for the period 2007 to 2010. Among the independent variables used as proxy for working capital management, average age of inventory had a positive and insignificant relationship with gross profit margin and return on assets, but had a negative insignificant effect on return on equity.

Methodology

Research Design

The study adopted *ex post facto* research design. This is because the study involved events which have taken place already as data used for the analysis were secondary data extracted from the audited annual reports and accounts of the sampled consumer goods firms.

Area of Study

The study was conducted in Nigeria within the consumer goods firms which were quoted on the Nigerian Exchange Group (NGX).

Sources of Data

The study collect data for analysis from the audited annual reports and accounts of sampled quote consumer goods firms in the Nigerian Exchange Group (NGX). Basically, the nature and sources of data for the analysis of this work was secondary.

Population of the Study

The population for this study constitutes the 21 listed consumer goods firms on the Nigerian Exchange Group (NGX) as at 31 December 2022.

Sample Size Determination

The sample size was carefully selected from the overall population during the study's duration. To ensure the information's reliability and precision, only consumer goods firms listed on the Nigerian Exchange Group (NGX) with pertinent data available for the study period were taken into account. The research employed a stratified sampling method, specifically selecting nine (9) top-performing firms that actively engage in trading on the exchange. These firms collectively represent approximately 79% of the total capitalization, signifying a considerably higher asset value and substantial representation within the Nigerian consumer goods manufacturing sector. The sampled firms are: Guinness Nigeria Plc, Unilever Nigeria Plc., Nigerian Breweries Plc, Flour Mills Nigeria Plc, Cadbury Nigeria Plc, PZ Cussons Nigeria Plc, Honeywell Flour Mills Nigeria Plc, Nestle Nigeria Plc. and Dangote Sugar Nigeria Plc.

Model Specification

The multiple regression (panel least square) model was specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 ARTR_{it} + \beta_2 ITR_{it} + \beta_3 PPETR_{it} + \epsilon_{it} \dots \dots \dots i$$

Where;

- ROA = Return on Assets
- ARTR = Account Receivables Turnover ratio
- ITR = Inventory Turnover Ratio
- PPETR = Property, Plant and Equipment (PPE) Turnover Ratio
- ϵ_{it} = error terms
- t = time

Results

Summary of Multiple Regression Result

Table 1: Multiple Regression Result of Industry Level Panel Data

Dependent Variable: ROA
 Method: Panel Least Squares
 Date: 09/12/23 Time: 08:55
 Sample: 2013 2022
 Periods included: 10
 Cross-sections included: 9
 Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ARTR	0.285526	0.097453	2.92988	0.0267
ITR	0.518176	0.117258	4.41911	0.0010
PPETR	0.075175	0.033274	2.25927	0.0140
C	0.303407	0.427603	0.70955	0.4803

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.787083	Mean dependent var	0.051129
Adjusted R-squared	0.688209	S.D. dependent var	0.046536
S.E. of regression	0.037384	Akaike info criterion	-3.129502
Sum squared resid	0.163728	Schwarz criterion	-2.794816
Log likelihood	148.6665	Hannan-Quinn criter.	-2.982209
F-statistic	7.095069	Durbin-Watson stat	1.612983
Prob(F-statistic)	0.000000		

Source: E-view 10.0 Statistical Output, 2023

Table 1 revealed that Account Receivables Turnover Ratio exerts a positive (t-Statistic = 2.92988) and significant (p-value = 0.0267) effect on Return on Assets of the sampled Consumer Goods Firms in Nigeria. The result also showed that Inventory Turnover Ratio had positive and significant effect on Return on Assets of the sampled consumer goods firms with a t-Statistic of 4.41911 and probability value of 0.0010. The result also indicated that property, Plant and Equipment Turnover Ratio exhibited a positive (t-Statistic = 2.25927) and significant effect (p-value = 0.0140) on Return on Assets of the sampled Consumer Goods Firms in Nigeria. The adjusted R-squared (R^2) indicated that about 69% approximately of the changes in Return on Assets (ROA) are explained by the explanatory variables (Account Receivables Turnover ratio, Inventory Turnover Ratio and Property, Plant and Equipment (PPE) Turnover Ratio). The remaining 31% could be explained by other factors capable of influencing financial performance of the sampled consumer goods firms in Nigeria and other remote factors captured by the error term. The probability of the F-statistic is significant (0.00000) which shows the statistical fitness of the multiple regression model and the results, by extension. There is an absence of serial autocorrelation in the panel data extracted from annual reports and accounts of the sampled consumer goods corporations in Nigeria as suggested by Durbin-Watson statistics of 1.612983 which is relatively normal.

Summary of Findings

The summary of findings made for the study includes the following:

- i. Account Receivables Turnover ratio has a positive (t-Statistic 2.92988) and significant (p-value 0.0267) effect on Return on Assets of the sampled Consumer Goods Firms in Nigeria.
- ii. Inventory Turnover Ratio exerts a positive (t-Statistic of 4.41911) and significant (p-value 0.0010) effect on Return on Assets of the sampled Consumer Goods Firms in Nigeria.

- iii. Property, Plant and Equipment Turnover Ratio has a positive (t-Statistic 2.25927) and significant effect (p-value 0.0140) on Return on Assets of the sampled Consumer Goods Firms in Nigeria.

Conclusion

In conclusion, the findings of this study shed valuable light on the relationship between key asset turnover ratios and the financial performance of sampled Consumer Goods Firms in Nigeria. The study aimed to investigate the impact of effective asset management on Return on Assets (ROA) within consumer goods sector.

First of all, the Account Receivables Turnover ratio was found to have a positive and statistically significant effect on ROA. This suggests that efficient management of accounts receivable, including the timely collection of outstanding payments, plays a pivotal role in enhancing a firm's financial performance. By improving the efficiency of cash flows, firms can potentially boost their ROA.

Secondly, the Inventory Turnover Ratio also demonstrated a positive and highly significant effect on ROA. This underscores the importance of optimizing inventory management processes within Consumer Goods Firms. Efficient inventory turnover not only reduces holding costs but also positively impacts profitability, as reflected in the higher ROA.

Lastly, the Property, Plant, and Equipment Turnover Ratio showed a positive and significant effect on ROA. Effective utilization of fixed assets, such as property, plant, and equipment, contributes to higher returns. This suggests that Consumer Goods Firms that efficiently deploy these assets tend to achieve better financial performance.

Overall, the findings highlight the critical role of asset turnover ratios in determining the financial performance of Consumer Goods Firms in Nigeria. By focusing on effective management of accounts receivable, inventory, and fixed assets, firms can enhance their ROA, which is a key indicator of success in the highly competitive consumer goods sector. These insights provide valuable guidance for businesses seeking to optimize their asset management strategies and ultimately achieve improved financial outcomes.

Recommendations

The following recommendations are made for the study:

- i. Consumer goods firms in Nigeria should strive to invest in advanced credit information systems and credit scoring models to assess the creditworthiness of customers accurately. This will enable firms to make informed decisions regarding credit extension and minimize default risks.
- ii. Consumer Goods Firm Management should endeavor to adopt lean inventory management practices, including just-in-time (JIT) inventory systems. Focus on reducing excess inventory levels, which will lead to improved turnover ratios and cost efficiencies.
- iii. Consumer Goods Firm Management should embrace modern asset management techniques, such as predictive maintenance and asset tracking systems. Regularly assess the utilization of assets and prioritize maintenance and upgrades to ensure optimal efficiency.

References

- Akparhuere, G. O., Anastesia, D. N., & Moses, O. (2019). Effect of Asset Management Efficiency on Performance of Building and Construction Companies in Nigeria. *Archives of Business Research*, 7(12), 50–69. <https://doi.org/10.14738/abr.712.7388>
- Hassan, N. U., Imran, M. M., Amjad, M. & Hussain, M. (2014). Effects of working capital management on firm performance: An empirical study of non-financial listed firms in Pakistan, *International Journal of Academic Research in Business and Social Sciences*, 4(6), 114 – 132.
- Inyama, Oliver, Ugbor, Oluchukwu, Chukwuani, Victoria, & Nnenna. (2017). Evaluation of the Relationship between Assets Growth Rate and Financial Performance of Manufacturing Firms in Nigeria. *International Journal of Management Studies*, 73. <https://doi.org/10.20431/2349-0349.0510006>.
- Karaduman, H. A. Aknas, H. E. Caliskan, A. O. & Durer, S. (2011). The relationship between working capital management and profitability: Evidence from an Emerging market. *International Research Journal of Finance and Economics*, 62, 61 – 67.
- Kinuthia, D.N., Maimba, J. K., & Mwangi, L. (2020). Working capital management and financial performance of listed manufacturing companies in Kenya. *International Journal of Business Management and Finance*, 3(2), 45-61.
- Mohsin, S. Muhammad, M. & Salman, S. (2019). Working capital management and firm performance: evidence from non-financial firms in Pakistan. *Asian Journal of Empirical Research*, 9(2), 27-37.
- Muhindo, C., & Rwakihembo, J. (2021). Inventory Management and Financial Performance of Private Hospitals: A Positivist Evidence from Western Uganda. *International journal of business*, 6, 24-34.
- Nnado, I. C. & Ozouli, C. N. (2016). Evaluating the effect of intangible assets on economic value added of selected manufacturing firms in Nigeria. *European Journal of Business and Management*, 8(15), 174-181.
- Olaoye, F., Adekanbi, J. & Oluwadare, O. (2019). Working capital management and firms' profitability: evidence from quoted firms on the Nigerian Stock Exchange. *Intelligent Information Management*, 11, 43-60.
- Olaoye, S. A., Abolade, A. F. & Ogundipe, A. S. (2019). Effect of working capital management on profitability: a case of listed manufacturing firms in Nigeria. *International Journal of Research and Innovation in Social Science*, 3(11), 230-238.
- Olatunji, T & Adegbite, T (2014). Investment in fixed assets and firm profitability: Empirical evidence from the Nigerian banking sector. *Asian Journal of Social Sciences and Management Studies*, 13(1), 78-82.
- Reyhani, A. G. (2012). The investigation of effect of assets structure on performance of accepted companies of Tehran Stock Exchange (TSE). *Journal of Basic and Applied Scientific Research*, 2(2), 1086-1090.
- Uguru, I. C., Chukwu, U. C., & Elom, J. O. (2018). Effect of working capital management on the profitability of brewery firms in Nigeria. *Journal of Economics and Finance*, 9(2), 9-20.