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Effect Of Asset/Current Growth Rate on The Financial Performance of Firms In Nigeria: A Multi-Sectoral Analysis

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Abstract

The study examined the effect of current/asset growth rate on the financial performance of firms in Nigeria. The specific objectives were to ascertain the effect of current asset growth rate, intangible assets growth rate, and financial assets growth rate on the net profit growth rate of firms in Nigeria. The study adopted an ex post facto research design, utilizing historical financial data obtained from the audited annual reports of firms listed on the Nigerian Exchange Group between 2015 and 2024. The population comprised forty (40) firms across the Consumer Goods, Industrial Goods, and Oil & Gas sectors, from which a purposive sample of thirty (30) firms consistently listed as of 2015 was selected. Data were collected through secondary sources and analysed using panel estimated generalised least square regression analysis with the aid of E-Views software to test the formulated hypotheses. The findings revealed that: current asset growth rate has a positive and significant effect on the net profit growth rate of firms in Nigeria (β = 2.2970, p = 0.0000); intangible assets growth rate has a positive and significant effect on the net profit growth rate of firms in Nigeria (β = 0.0000516, p = 0.0000); The study concluded that strategic management of asset growth is essential for enhancing firm profitability and sustaining long-term financial performance in Nigeria's competitive business environment. The study recommended that investment managers and corporate treasurers should review their portfolio of financial assets to ensure that funds are not tied up in low-yield or non-productive financial instruments. Redirecting excess funds toward core business operations or high-return projects can help enhance profitability and reduce the adverse effects of unproductive financial asset accumulation.

Keywords: *Asset/Current Growth Rate, Intangible assets growth rate, Financial performance, Growth rate*

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Introduction

The growth rate of assets and current assets has become an important indicator for measuring the financial strength and sustainability of firms in both developed and developing economies. In Nigeria, firms across manufacturing, banking, oil and gas, agriculture, telecommunications, and consumer goods sectors continually expand their asset base to improve productivity, increase market share, and enhance profitability. Asset growth reflects the extent to which firms invest in long-term and short-term resources for operational expansion and competitive advantage. Financial performance, on the other hand, measures the ability of firms to generate profits, maximize shareholders' wealth, and sustain operational efficiency through indicators such as return on assets (ROA), return on equity (ROE), and earnings per share. Recent economic realities in Nigeria, including inflation, exchange rate volatility, and rising operational costs, have intensified the need for firms to strategically manage their assets to maintain strong financial outcomes (Anozie, et al., 2023).

Asset growth rate refers to the percentage increase in a firm's total assets over a given accounting period. Firms with healthy asset growth are often perceived as having strong expansion capacity and better opportunities for future profitability. Ominijei, et al., (2025), firms that effectively expand and manage their asset base are more likely to improve operational efficiency and financial performance because assets provide the foundation for revenue generation and market competitiveness. Their study on listed manufacturing firms in Nigeria revealed that asset growth positively influences profitability and organizational sustainability when efficiently utilized.

Current asset growth rate specifically focuses on the increase in short-term assets such as cash, inventories, receivables, and marketable securities. Current assets are essential for ensuring liquidity, meeting short-term obligations, and maintaining uninterrupted business operations. Enekwe, et al., (2023) observed that firms with efficient management of current and non-current assets tend to experience better financial performance because adequate asset allocation improves productivity and reduces operational risk. Similarly, Ebe, et al., (2023) argued that strategic management of firm assets significantly contributes to profitability, market value, and overall financial stability of firms in Nigeria.

Despite the importance of asset growth, many Nigerian firms continue to experience weak financial performance due to poor asset utilization, inadequate investment planning, and economic instability. Several sectors face liquidity challenges, declining returns, and inefficient working capital management, which negatively affect profitability and shareholders' confidence. The multi-sectoral nature of the Nigerian economy makes it necessary to examine how asset and current asset growth influence financial performance across different industries because sectors differ in capital intensity, operational structure, and investment patterns. Therefore, this study seeks to examine the effect of asset/current growth rate on the financial performance of firms in Nigeria through a multi-sectoral analysis.

Statement of the Problem

In an ideal business environment, firms are expected to maintain steady growth in both total assets and current assets in order to improve operational efficiency, profitability, liquidity, and long-term sustainability. Asset growth enables firms to expand production capacity, invest in modern technology, strengthen market competitiveness, and maximize shareholders' wealth. Similarly, current asset growth helps firms maintain adequate liquidity for meeting short-term obligations, ensuring smooth business operations, and improving financial stability. A healthy

combination of asset expansion and efficient asset utilization is expected to enhance financial performance indicators such as return on assets, return on equity, net profit margin, and earnings per share across different sectors of the economy (Enekwe, et al., 2023).

However, despite continuous investments in assets by many firms in Nigeria, financial performance across several sectors has remained unstable and unsatisfactory. Many firms experience declining profitability, weak liquidity positions, poor returns on investment, and increasing operational inefficiencies even with rising asset growth rates. Some firms accumulate excessive current assets that remain underutilized, while others invest heavily in non-current assets without generating corresponding financial returns. Economic challenges such as inflation, exchange rate fluctuations, poor infrastructure, high cost of borrowing, and inconsistent government policies have further reduced the ability of firms to effectively convert asset growth into improved financial performance (Anozie, et al., 2023).

The consequence of poor asset and current asset management has led to reduced shareholders' confidence, low market value, declining competitiveness, business failure, and reduced contribution of firms to national economic growth. Inefficient asset utilization also affects firms' ability to meet short-term obligations, resulting in liquidity problems and increased financial distress. In some sectors, poor financial performance has caused downsizing, unemployment, and reduced investment opportunities within the Nigerian economy. Furthermore, existing studies on asset growth and financial performance in Nigeria have focused mainly on specific industries such as banking or manufacturing, with limited attention given to a comprehensive multi-sectoral analysis. This creates a knowledge gap regarding how asset/current growth rate affects the financial performance of firms across multiple sectors in Nigeria. Therefore, this study seeks to examine the effect of asset/current growth rate on the financial performance of firms in Nigeria using a multi-sectoral approach.

Objectives of the Study

The broad objective of the study was to examine the effect of Current/asset growth rate on the financial performance of firms in Nigeria. The specific objectives of the study were to:

i. Analyse the effect of current asset growth rate on the net profit growth rate of firms in Nigeria.
ii. Investigate the effect of intangible assets growth rate on the net profit growth rate of firms in Nigeria

Research Questions

The following research questions were made for the study.

i. To what extent does current asset growth rate affect the net profit growth rate of firms in Nigeria?
ii. How does the intangible assets growth rate affect the net profit growth rate of firms in Nigeria?

Statement of Hypotheses

The following null hypotheses were formulated for the study.

i. Current asset growth rate has no significant effect on the net profit growth rate of firms in Nigeria.
ii. Intangible assets growth rate does not have a significant effect on the net profit growth rate of firms in Nigeria.

Scope of the Study

The study focused on the effect of asset growth rate and current asset growth rate on the financial performance of firms in Nigeria using a multi-sectoral analysis. The study covered selected firms across major sectors of the Nigerian economy such as manufacturing, banking, oil and gas, telecommunications, and consumer goods. Financial performance was measured using indicators such as Current asset growth rate, and Intangible assets growth rate within the period under review.

Review of Related Literature

Conceptual Review

Asset Growth Rate

The Asset Growth Rate is a crucial metric that measures the rate at which a company's total assets are increasing or decreasing over a specific period. It serves as a key indicator of a company's investment activities, capital allocation decisions, and overall financial health. The Asset Growth Rate has a significant impact on firm performance, influencing various aspects such as profitability, liquidity, and shareholder value. One of the primary effects of the Asset Growth Rate on firm performance is its influence on revenue generation and profitability. A higher growth rate in assets indicates increased investment in productive assets, such as property, plant, equipment, and working capital. This investment can lead to higher revenue generation and improved profitability over time as the company expands its operations and capitalizes on growth opportunities (Penman, 2007).

Additionally, the Asset Growth Rate can impact the company's liquidity and financial flexibility. Rapid asset growth may strain liquidity and working capital management, particularly if the growth is financed through debt or equity issuance. However, effective capital allocation and efficient asset management can help mitigate liquidity risks and enhance the company's ability to meet short-term obligations (Brealey et al., 2017). Furthermore, the Asset Growth Rate can influence investor perception and market sentiment towards the company. Investors often view a consistent and sustainable growth rate in assets positively, as it reflects prudent financial management and strategic growth initiatives. Conversely, erratic or declining growth rates may raise concerns about the company's long-term growth prospects and operational efficiency, potentially leading to a decline in shareholder confidence and stock price (Damodaran, 2016). In essence, the Asset Growth Rate significantly impacts firm performance by influencing revenue generation, profitability, liquidity, and investor sentiment. By effectively managing asset growth and making strategic investments in growth opportunities, companies can enhance their financial performance, drive sustainable growth, and create long-term value for shareholders.

Current asset growth rate

Assets that can be converted into cash during the normal production cycle are current assets. A normal production cycle is one year, that is, twelve months. Current physical assets are sometimes referred to as convertible assets. These are physical assets such as stock of raw materials, stock of work-in progress, stock of finished goods, and goods held for resale. Current assets in one business may be a fixed asset in another business. An example of such asset would be real estate held in inventory by a real estate investment firms and sales organization or builder, the same real estate would be a fixed asset for other firm that procure it for use in a production line. Also computers

that are manufactured for sale are current assets in the books of the computer manufacturing firms, the same computers are fixed assets in the books of other firms that procure them for use in their production line. Chan et al, (2008) states that net operating assets generally make up a substantial portion of arms‟ total assets and that these accounts share much common variation. Secondly, asset growth can take a variety of forms (growth in cash, current assets, or long-term assets). Previous work has not generally distinguished between different forms of asset growth and their effects on stock prices. At the very least, one potentially important distinction is between internally generated expansion in assets ("organic" growth) and acquisitions of other companies and their assets. Schlingemann and Stulz (2005), states that acquiring firms over experience leads to disappoint in stock returns.

Current asset growth rate refers to the percentage change in a company's current assets over a specific period. Current assets are resources that are expected to be converted into cash or used up within one year or the operating cycle of the business, whichever is longer. These typically include cash, accounts receivable, inventory, and short-term investments. The current asset growth rate is a financial metric used to evaluate the rate at which a company's short-term asset base is expanding or contracting.

The formula for calculating Current Asset Growth Rate is similar to that of Total Asset Growth Rate:

$$\text{Current Asset Growth Rate} = \left(\frac{\text{Current Assets}_{end} - \text{Current Assets}_{start}}{\text{Current Assets}_{start}}\right) \times 100\%$$

Intangible Asset Growth Rate

The Intangible Asset Growth Rate refers to the rate at which a company's non-physical assets increase in value over a specified period. Intangible assets include intellectual property (such as patents, trademarks, and copyrights), brand recognition, goodwill, proprietary technologies, and customer relationships. Unlike tangible assets, these do not have a physical form but significantly contribute to a firm's value, especially in knowledge-based and innovation-driven industries (Lev & Gu, 2016).

This growth rate is a critical indicator of a company's innovation capacity, competitive advantage, and future earnings potential. It is typically calculated by comparing the value of intangible assets across two accounting periods and expressing the difference as a percentage of the initial period. An increasing intangible asset growth rate often signals successful R&D activities, strategic brand investments, or effective mergers and acquisitions (Barth et al., 2022). In the digital economy, intangible assets are becoming central to firm valuation and performance. For instance, companies in the tech, pharmaceutical, and service sectors derive much of their market value from intangibles rather than physical capital (Corrado et al., 2021). Understanding and tracking the growth of intangible assets allows stakeholders to evaluate a company's innovation-driven expansion and long-term sustainability more accurately.

Financial Performance

Financial performance is a measure of how well or otherwise a firm can use assets at its disposal for its primary mode of business and generate revenues, as such, could be a measure of the overall financial health of the firm and for comparing firms in the same industry or to compare industries or sectors. Financial performance of the pharmaceutical industry in Nigeria has attracted relatively poor attention, comments and interests from accounting

financial experts, researchers, the general public and the management of corporate entities. Furthermore, evaluating the performance of most successful pharmaceutical firms has always proved a difficult task to many as a firm may have a high level of financial performance, but may be finding it difficult in managing its financial assets efficiently (Maleya & Willy, 2018).

Profit Growth Rate

Profit growth rate refers to the percentage increase or decrease in a firm's profit over a specific period, usually measured annually. It is a dynamic indicator of a company's financial health, reflecting its ability to expand revenue streams, control costs, and sustain profitability amidst changing economic conditions (Olowolaju & Alabi, 2024). Unlike absolute profit, which provides a static measure, profit growth rate captures performance trends and the trajectory of earnings, making it a crucial tool for strategic planning and investment analysis. Firms with a stable or positive profit growth rate are generally perceived as financially resilient, competitive, and attractive to investors, as they demonstrate capacity for value creation and sustainability (Okoli & Udeh, 2023). In emerging economies like Nigeria, where business environments are often volatile, profit growth rate serves as a benchmark for managerial effectiveness and adaptive strategies (Eze & Nwachukwu, 2022). Ultimately, consistent profit growth rate is critical in enhancing shareholder wealth, market valuation, and long-term business survival.

Theoretical Review

Proportionate Growth

The tenet of Proportionate Growth, proposed by Robert Gibrat in 1931 as part of his Growth of the Fitter theory, suggests that firm growth is directly proportional to firm size. Robert Gibrat's theory challenges the notion that larger firms inherently experience faster or slower growth rates compared to smaller firms. Instead, it posits that growth rates are independent of firm size, and each firm's growth trajectory is determined by random, stochastic processes. Under the principle of Proportionate Growth, Gibrat argued that the rate of change in firm size (measured by factors such as sales, assets, or employment) is not influenced by the firm's current size. In other words, small and large firms are equally likely to experience growth or decline, with growth rates remaining steady regardless of firm size.

This tenet implies that there are no inherent advantages or disadvantages associated with firm size in terms of growth potential. Rather, growth is a random process governed by external factors such as market conditions, innovation, competition, and managerial decisions. Gibrat's Proportionate Growth hypothesis has been a subject of debate and empirical scrutiny in economics and management literature. While some studies have found evidence supporting the proportionate growth of firms, others have identified deviations from this principle, suggesting the presence of other influencing factors. Nonetheless, Gibrat's theory remains influential in shaping our understanding of firm growth dynamics and the role of randomness in economic processes. Proportionate Growth: Gibrat's theory suggests that firm growth is proportional to firm size. In other words, larger firms are not inherently more likely to grow faster or slower than smaller firms; instead, growth rates are independent of firm size.

The application of Proportionate Growth theory in the study of the effect of asset growth rate on the performance of firms in Nigeria offers valuable insights into the dynamics of firm growth within the Nigerian economic context.

Proportionate Growth theory, proposed by Gibrat in 1931, posits that firm growth is directly proportional to firm size, independent of its current size. In the context of Nigerian firms, this theory provides a framework for understanding how asset growth rates may vary across firms of different sizes and sectors.

By applying Proportionate Growth theory, researchers can analyze how asset growth rates evolve over time relative to firm size in Nigeria. This approach allows for the exploration of whether larger firms experience proportionally faster or slower asset growth compared to smaller firms, and how these growth dynamics influence firm performance metrics. Furthermore, understanding the applicability of Proportionate Growth theory in the Nigerian context can inform strategic decision-making, investment strategies, and policy interventions aimed at fostering sustainable growth and development. By recognizing the role of firm size in shaping asset growth trajectories, policymakers and stakeholders can adopt more targeted and effective measures to support the growth and competitiveness of Nigerian firms.

Empirical Review

Current Asset Growth Rate and the Profit Growth Rate

Nangih et al., (2021) assessed the effect of asset mix on financial performance of selected consumer goods firms in Nigeria. The specific objectives of the study were to determine the effects of tangible non-current assets, current and intangible assets structures and returns on asset. Ex post facto research design was adopted and data obtained from the annual reports of the companies for a seven-year period from 2013 to 2019. Multiple regression analytical technique was employed in analyzing the data. The findings of the study revealed that the independent variables employed in the study explained about 13.7% of the variations in returns on asset. Specifically, both current and intangible assets have positive and significant effect with ROA at 5% level of significance. Noncurrent asset has positive but insignificant effect on ROA. Thus, the assets composition of a firm plays a critical role in the financial performance of that firm, although it explains only about 14% of the performance of the firm. It was therefore recommended that firms should increase their current and intangible assets, but should keep it at an optimum level that will ensure that maturing short-term business obligations are met.

Temuhale and Ighoroje (2021) examined the effect of asset structure and capital structure on the performance of quoted industrial goods firms in Nigeria within 2011-2019. The study was structured into two models with property, plant, and equipment (PPE), other fixed assets (OFA), and current assets (CAS) as explanatory variables for the asset structure model; long term debt to total equity (LTDTEQ), long term debt to total asset (LTDTAS), long term debt to long term capital (lTDTLC) as explanatory variables for the capital structure model while performance was represented in each model by return on asset (ROA). Data were sourced from the companies' annual statements of financial position and statements of profit and loss. The study employed descriptive statistics, correlational and panel data as methods of data analysis. Findings showed that while all the asset structure variables had a positive but insignificant effect, capital structure variables viz; ratio of long term debt to total equity, ratio of long term debt to total asset each had positive and significant effect and ratio of long term debt to total long term capital had an inverse and significant effect on return on assets of industrial goods firms in Nigeria.

Lawal et al (2022) focused on asset utilization and return on equity of quoted manufacturing firms in Nigeria. The study used the ex-post facto research design and content analysis. The choice of design was based on the fact that

the dependent variable (return on equity) already exists. The research nature was longitudinal in nature because the subjects were not randomly assigned, that is, they were grouped based on a particular characteristic or trait such as listed on Nigerian Stock Exchange. The population of the study is the manufacturing firms that were listed on Nigeria stock Exchange out of which 18 consumer goods were purposively selected. Data were sourced from the secondary means such as financial statements and official websites of the firms. The result of the study showed that there is a positive relationship between asset utilization and equity return of the quoted consumer goods manufacturing firms in Nigeria. The study concluded that the utilization of asset is a major predictor of equity return of the selected firms and the better the assets are put to use, the better the return that will get to the providers of equity capital.

Melbury et al (2022) looked into how asset utilization affects the financial performance of pharmaceutical companies (as measured by return on asset) in Nigeria, with a particular focus on Fidson Healthcare Plc, between 2011 and 2020 fiscal years. The ex-post facto research design was used with secondary data derived from the pooled data collected from the annual financial reports of FIDSON healthcare. The collected data were analyzed using ordinary least square regression analysis, but the study also performed preliminary analyses such as descriptive statistics and correlation analysis. According to the study, variations in the asset utilization variables captured in the model explain approximately 32.7% of the total variation in ROA as explained by variations in the independent variables captured in the study. Furthermore, both current asset ratio and the non-current ratio were found to be positively and significantly related to profitability of Fidson Healthcare Plc in Nigeria.

Duru (2022) examined the effect of asset management on financial performance of consumer goods firms in Nigeria. Receivable's turnover ratio, inventory turnover ratio, and property, plant and equipment turnover were the asset management indicators used for the study, while profit for the year was the dependent variable of the study. The specific objectives of the study were to ascertain the effect of receivables turnover ratio, inventory turnover ratio, and property, plant and machinery turnover on profit for the year of consumer goods firms in Nigeria. The study adopted an *ex-post-facto* research design, covering the period 2011 and 2020. Secondary data were extracted from the annual reports and accounts of the sampled consumer goods firms in Nigeria. Multiple panel regression analysis (fixed effect model) was used for the data analysis. In line with the specific objectives of the study, it was revealed that account receivables turnover has a negative (Coefficient -0.026855) and insignificant (p-value 0.7776) effect on profit for the year of consumer goods firms in Nigeria. Inventory turnover ratio was found to have a negative (Coefficient -0.518761) and significant effect (p-value 0.0000) on profit for the year. Property, plant and equipment turnover ratio has a negative (Coefficient -0.075517) and significant effect (p-value 0.0280) on profit for the year of consumer goods firms in Nigeria. This implies that inventory and property, plant and equipment can be used to predict profit for the year of consumer goods firms in Nigeria. It is therefore recommended that consumer goods firms in Nigeria should strive to manage their account receivables efficiently so as to reduce its negative effect on financial performance. They should be more effectively manage the credit it extends to customers and how quickly that short-term debt is collected or is paid. These consumer goods firms should always strive to maintain a good inventory level. This will help them turn around the negative effect inventory turnover has on financial performance. They should always strive to generate sufficient revenue so as to increase revenue generated per unit of Property, Plant and Equipment.

Tuoyo (2023) investigated the impact of debt financing on performance of listed manufacturing firms. Performance of firms was proxy by debt financing while the dependent variable was proxy by ROA (return on assets). Using quantitative research design; data for the study were sourced from the annual report of five quoted manufacturing firms covering six years from 2016 to 2021. Panel least square regression and Analysis of Variance (ANOVA) were adopted to estimate the data and test the hypotheses developed for the study to validate the performance of the variables, equally to depict the influence of explanatory variables. Findings revealed that debt financing had a positive and significant effect on performance of firms in non-financial sector in Nigeria. The study thereby recommended that the management of listed manufacturing firms in Nigeria should take the issue on capital structure with great concern, in particular special attention should be given to short term debt for meeting working capital deficit as well as long term loans for capital projects to avert finance mismatch. Doing so would improve profit margin and achieve a better performance and resultant wealth maximization.

Ngoigo and Osuji (2024) analyzed the relationship between asset mix and financial performance of quoted industrial companies in Nigeria, for the period of 2013-2022 (10years). The specific objectives of the study were to examine the measures of asset mix [Current Asset Ratio (CART), Non-Current Asset Ratio (NCART), Intangible Asset Ratio (INTART) and Investments Asset Ratio (INVART)] in relation to financial performance proxied with return on asset (ROA). The study sampled 10 industrial firms listed in the Nigerian Exchange Group and the secondary data used for the analysis was sourced from the annual reports and accounts of the sampled 10 industrial firms listed in the Nigerian Exchange Group. A total number of four research questions and four hypotheses were stated. Descriptive statistics, panel unit root test, diagnostics test and the multiple regression analysis of the (E-VIEW 9.0) at 0.05 level of significant (95% confidential interval) was used as a basis of testing the hypotheses. The findings revealed that Non-Current Asset Ratio (NCART), Intangible Asset Ratio (INTART) and Investments Asset Ratio (INVART) have a significant effect on return on asset while Current Asset Ratio (CART) does not have significant effect on Return on Asset. The study concluded that asset mix has a significant effect on the financial performance of quoted industrial companies in Nigeria. The study therefore, recommends that firms should increase their current and intangible assets, but should keep it at an optimum level that will ensure that maturing short-term business obligations are met and at the same time avoid keeping excess idle funds. This is because such investments will result in a proportionate increase in their financial performance. Therefore, excessive liquidity should be avoided.

Intangible asset growth rate and the Profit Growth Rate

Mgbada et al (2021) examined a few of the factors that manufacturing firms in emerging economies consider when deciding on their financial structures. Tangibility, profitability, taxation, and business size were utilized as explanatory variables in the study, which examined financial structure with a total obligation to total asset ratio. In contrast, these variables were based on panel regression estimation analyses of data from eight different Nigerian manufacturing enterprises between 2005 and 2016. Size was found to have a considerable impact on financial structure, but profitability and tangibility had no discernible effect. As a result, the research found that manufacturing firms in developing economies consider firm size when making decisions about their financial structures.

Mohammed and Mohammed (2022) examined the effect of firms specific attributes and financial performance of quoted conglomerates companies in Nigeria. Secondary data were sourced through the published annual reports of the sampled companies for the period under review 2015-2021. Panel data extracted were analysed using multiple regression technique after conducting series of robustness checks to ascertain validity. Findings from the study reveal that firm size has a positive and significant effect on financial performance. While liquidity has positive and insignificantly effect on financial performance, on the other hand leverage has a negative but insignificantly effect on financial performance. The study recommends that management should try as much as possible to increase their total asset level as this will serve as a guarantee in generating future economic benefit. Management should also watch out for their leverage level so as to keep it at optimum point, because leverage level negatively influence performance for conglomerate firms in Nigeria based on the findings of these study, within the period under review.

Akindele (2022) examined the impact of firm characteristics on firm performance of nonfinancial companies listed on the Nigerian exchange group. The sample for this research consisted of the 113 non-financial global firms that were listed on the Nigeria Exchange Group as of March 5, 2021. Purposeful selection was used to choose 76 Nigerian firms with a focus on non-financial services that are listed on foreign stock markets. The study looked at information from businesses' annual reports over a period of 11 years using the Generalized Method of Moments (GMM) estimate (2010-2020). Some of the aspects of businesses that are examined include: size (FSIZE), age (FAG), growth rate (GRATE), financial leverage (FLR), liquidity (LQ), free cash flow (FCF), business risk (BR), tangibility of assets (ATANG), and value added productivity (VAP) (VAP). The use of least squares multiple regression on panel data allowed us to evaluate the hypotheses. The GMM estimator found that firm size, liquidity, and assets tangibility all have positive and statistically significant relationships with DPR, while the age of the business has a negative but not statistically significant effect on VAP. Positive correlations were also found between other factors like growth rate, financial leverage, free cash flow, and business risk and the VAP of the sampled companies, but these correlations were not statistically significant. Findings from this study imply that in order to boost their businesses' performance, managers of publicly traded Nigerian non-financial organizations should pay close attention to the firm size, liquidity, business growth and tangibility of their firms' assets.

Adeniran (2023) focused on finance option and growth prospect of production based firms in Nigeria: a post-financial crisis analysis. A panel regression estimate was used to evaluate the data gathered from the financial accounts of fifteen production-based enterprises. Findings**:** The most effective and reliable estimate, which was a random effect, showed that total equity had a positive and statistically significant influence on asset growth rate. Asset growth rates were negatively and insignificantly affected by total debt and retained earnings, according to the result. Compared to the internal option (retained earnings), this study found that the external source of finance option—particularly equity—has a strong propensity to accelerate the rate of expansion of a production-based corporation in Nigeria.

Gap in Empirical Literature

The empirical gap in the effect of asset growth rate on the financial performance of firms in Nigeria, based on a multisectoral analysis (2015–2024), arises from several dimensions. Despite reviewing 120 studies—both local and international—three key gaps persist: Most prior studies concentrated on either specific sectors, such as banking or

manufacturing, or on aggregate measures of firm performance without delving deeply into sectoral heterogeneities. For instance, limited attention has been given to understanding how asset growth interacts with firm-specific factors like operational efficiency, risk management, or market structure across sectors (e.g., consumer goods, industrial goods, and oil and gas). This leaves a gap in understanding the impacts of asset growth across diverse industries in Nigeria. Foreign studies dominate the discourse on asset growth and financial performance, particularly in developed economies with stable markets. In the Nigerian context, existing research often excludes regional variations in economic policies, infrastructure, and market dynamics. This lack of focus on Nigeria's unique economic environment, characterized by policy fluctuations and currency volatility, limits the generalizability of findings to local firms. Most reviewed studies rely on traditional regression models without incorporating advanced econometric techniques like panel dynamic models, which could better account for endogeneity and causality. Moreover, few studies integrate multi-period and cross-sectoral comparisons, limiting insights into temporal and sectoral trends. The previous studies did not address the different sectors of the economy, the researcher also observed the time gap, addressing these gaps is crucial to enhancing the understanding of asset growth's role in Nigeria's multi-sectoral financial performance. It is against this that study examined the effect of asset growth rate on the financial performance of firms in Nigeria, based on a multisectoral analysis (2015–2024)

Methodology

Research Design

The *ex post facto* research design employed in studying the effect of asset growth rate on the financial performance of firms in Nigeria involves analyzing existing data retrospectively. This design leverages historical financial data from various sectors in Nigeria to assess the effect of asset growth rate on financial performance of firms in Nigeria. This research design allows for the comprehensive exploration of the relationship between asset growth rate and financial performance in Nigerian firms, providing valuable insights for stakeholders and informing strategic decision-making. The research collected financial data from publicly available sources such as annual reports, financial statements, and databases covering a specified period, typically spanning several years.

Area of Study

The area of this study covers firms operating within Nigeria, specifically those listed on the Nigerian Exchange Group (NGX) across three major sectors—Consumer Goods, Industrial Goods, and Oil & Gas. These sectors were selected due to their significant contributions to Nigeria's Gross Domestic Product (GDP) and their critical role in the country's economic development. The study focuses on assessing how variations in asset growth rates influence the financial performance of these firms within the Nigerian business environment. By analyzing data from listed companies, the study provides insight into sectoral differences in financial performance, investment behaviour, and growth patterns over the period 2015–2024.

Sources of Data

The study made use of secondary data extracted from the audited Annual Reports and statements of account of the selected firms in Nigeria. Time-series cross section data were used because the data for the study relates to different years. Data were collected from the annual financial statements of these companies over a ten-year period (2015-

2024). The financial performance metrics analyzed included the profit for the year. The asset growth rate was calculated as the annual percentage change in total assets, non-current asset growth rate, current asset growth rate, intangible asset growth rate and financial asset growth rate.

Population of the Study

The population of this study comprises all firms listed on the Nigerian Exchange Group (NGX) under the Consumer Goods, Industrial Goods, and Oil & Gas sectors as of 2024. These firms represent a cross-section of the Nigerian economy and provide a comprehensive basis for evaluating the relationship between asset growth rate and financial performance. The total population consists of forty (40) firms drawn from the three major sectors namely **Consumer Goods, Industrial Goods, and Oil and Gas**

Sample Size Determination

Specification of Models

The multiple regression analysis was adopted because it is known to estimate how well the set of independent variables predicts the dependent variable. The study adopted the model of Chukwu & Egbuhuzor (2017). The model was stated as follows:

$PGR_t = \beta o + \beta_1 + \beta_3 CAGR + \beta_4 IAGR + u_1 \ldots\ldots\ldots\ldots i$

PGR_{it}: Profit Growth Rate for firm *i* in year *t.*

CAGR : Current asset growth rate of firm *i* in year *t.*

IAGR : Intangible asset growth rateof firm *i* in year *t.*

Bo : Constant Term (Intercept)

β_3 : coefficient of Current asset growth rate

β_4 **:** coefficient of Intangible asset growth rate

u; Error term

Description of Variables

The research variables were structured into dependent and independent variables for analysis.

Table 3.1 Description of Variables

Variable Acronym	**Variable Name**	**Variable Type**	**Measurement**	**Source**
PGR	Profit Growth Rate	Dependent	**[(Current Period net profit - Previous Period net profit) / Previous Period net profit] × 100.**	Aldridge (2015)
CAGR	Current asset growth rate	Independent	The formula for calculating Current Asset Growth Rate is similar to that of Total Asset Growth Rate: Current Asset Growth Rate = $(\underline{\text{Current Assets}}_{end} - \underline{\text{Current Assets}}_{start}) \times 100\%$	(Brealey et al., 2017)

			Current Assets$_{star}$	
IAGR	Intangible asset growth rate	Independent	Intangible asset growth rate is calculated using the formula: **[(Current Period Intangible Assets – Previous Period Intangible Assets) / Previous Period Intangible Assets] × 100.**	Campbell & Mínguez-Vera, 2008; Akhtar et al., 2020

Source: Researcher Compilation 2026.

Method of Data Analysis

The study employed multiple regression analysis to evaluate the effect of asset growth rate on the financial performance of firms across key sectors. This method estimates relationships between the dependent variable (financial performance). The software that aided this estimation is the E – views software. The study involved the use of the empirical method which adopts regression analysis using the panel estimated generalised least square regression analysis. Regression is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables, to estimate and/or predict the population mean or average value of the former in terms of the known or fixed (in repeated sampling) values of the latter (Gujarati & Porter, 2009). The data were analysed using Descriptive Statistics, Correlation Analysis, and Regression Analysis.

Data Presentation and Analysis

Data Presentation

The main objective of this study was to examine the effect of asset growth rate on the financial performance of firms in Nigeria. The specific objectives were to ascertain the effect of total asset growth rate, non-current asset growth rate, current asset growth rate, intangible assets growth rate, and financial assets growth rate on the net profit growth rate of firms in Nigeria. Secondary data were obtained from the audited annual reports of firms listed on the Nigerian Exchange Group between 2015 and 2024. The population comprised forty (40) firms across the Consumer Goods, Industrial Goods, and Oil & Gas sectors, from which a purposive sample of thirty (30) firms consistently listed as of 2015 was selected. Data were collected through secondary sources and presented in Appendix A.

Data Analysis

Table 4.1: Descriptive Statistical Analysis

	PGR	CAGR	IAGR
Mean	-12.12998	34.69633	11480.05
Median	0.307336	14.18186	0.000000
Maximum	13618.31	1197.956	3254229.
Minimum	-8315.415	-85.72778	-100.0000
Std. Dev.	1146.630	126.5218	188099.8
Skewness	4.496723	6.605839	17.16614
Kurtosis	83.96516	53.56634	296.4021
Jarque-Bera	82953.00	34143.78	1090794.

Probability	0.000000	0.000000	0.000000
Sum	-3638.993	10408.90	3444016.
Sum Sq. Dev.	3.93E+08	4786325.	1.06E+13
Observations	300	300	300

Source: Author's Computation from Eviews 10.0 Statistical Software

The Profit Growth Rate (PGR) in Table 4.1 shows a mean value of -12.13%, indicating that on average, firms experienced a decline in profitability over the study period. The extremely wide range—from a minimum of -8315.42% to a maximum of 13618.31%—suggests substantial variability in profit performance among firms, possibly due to economic shocks or firm-specific events. The standard deviation of 1146.63 confirms a high level of dispersion around the mean, implying that profit growth rates are highly volatile. The skewness (4.50) and kurtosis (83.97) indicate a sharply non-normal distribution, heavily skewed to the right with extreme outliers. The Jarque-Bera probability (0.000) confirms this deviation from normality. However, according to the Central Limit Theorem, the sample size of 300 observations is large enough to ensure that the sampling distribution of the mean PGR approximates normality, making the mean a reliable measure of central tendency despite the skewed raw data.

The Current Asset Growth Rate (CAGR) reveals a mean of 34.70%, showing that firms increased their short-term assets, such as cash, inventory, and receivables, at a relatively higher rate than long-term assets. However, the wide range from -85.73% to 1197.96% and a standard deviation of 126.52 indicate pronounced volatility in current asset management across firms. The skewness (6.61) and kurtosis (53.57) suggest a highly non-symmetric distribution with extreme positive outliers, likely driven by firms with sudden liquidity surges. The Jarque-Bera test's zero probability again rejects normality, but the large sample size ensures that the distribution of sample means tends toward normality as per the Central Limit Theorem.

The Intangible Asset Growth Rate (IAGR) stands out with an extraordinarily high mean of 11,480.05%, showing that firms experienced explosive growth in intangible assets such as patents, goodwill, and software over the period. However, this figure is likely distorted by extreme outliers, as shown by the immense standard deviation (188,099.8), maximum value (3,254,229%), and strong positive skewness (17.17). The minimum of -100% suggests that some firms completely lost their intangible assets, possibly through write-offs or impairments. The kurtosis value of 296.40 further indicates that the distribution is extremely leptokurtic, with most observations clustered around the mean and a few extreme outliers. While the Jarque-Bera test confirms non-normality, the Central Limit Theorem implies that inferential procedures using the mean can still hold due to the large number of observations.

Table 4.2: Pearson Correlation Matrix Results

Correlation Probability	PGR	CAGR	IAGR
CAGR	0.193014 0.0008	1.000000 -----	
IAGR	0.010478	0.001921	1.000000

	0.8566	0.9736	-----

Source: Author's Computation from Eviews 10.0 Statistical Software

Table 4.2 presents the correlation between PGR and Current Asset Growth Rate (CAGR) is positive and statistically significant (r = 0.1930, p = 0.0008). This indicates a meaningful relationship where increases in current assets, such as cash, receivables, or inventory, are associated with higher profit growth. The significance of this relationship suggests that efficient management of current assets could directly enhance a firm's profitability, possibly by improving liquidity, operational flexibility, and responsiveness to short-term financial needs. This finding highlights the importance of short-term asset management in driving profit performance compared to longer-term or intangible asset categories.

The correlations between PGR and both Intangible Asset Growth Rate (IAGR) and Financial Asset Growth Rate (FAGR) are extremely weak and statistically insignificant (r = 0.0105, p = 0.8566; r = 0.0187, p = 0.7468, respectively). This implies that growth in intangible and financial assets does not exhibit a consistent or measurable relationship with profit growth in the observed firms. These results may indicate that intangible assets, while potentially valuable in the long term, do not immediately affect profitability, and financial assets might serve more as investment buffers rather than direct profit drivers.

Table 4.3: Multicollinearity Test

Variance Inflation Factors
Date: 10/28/25 Time: 04:29
Sample: 1 300
Included observations: 300

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
CAGR	0.488706	1.974658	1.836114
IAGR	1.20E-07	1.004260	1.000521
C	4874.197	1.147821	NA

Source: Author's Computation from Eviews 10.0 Statistical Software, 2026

The multicollinearity test in Table 4.3 uses the Variance Inflation Factor (VIF) to assess whether the independent variables in the model are highly correlated with each other, which could distort the reliability of coefficient estimates. The essence of this test is to ensure that each explanatory variable provides unique information about the dependent variable without excessive overlap. Generally, a VIF value above 10 indicates serious multicollinearity concerns, while values below 5 are acceptable. In this table, all variables—CAGR (1.84), and IAGR (1.00), —have VIF values well below the critical threshold. This indicates that there is no significant multicollinearity among the independent variables, meaning they are sufficiently distinct and can be reliably used together in the regression model without inflating the standard errors or weakening the statistical validity of the estimates.

Table 4.4: Cross-Section Dependence Test

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 10
Cross-sections included: 30
Total panel observations: 300
Note: non-zero cross-section means detected in data
Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Pesaran CD	2.431938		0.0150

Source: Author's Computation from Eviews 10.0 Statistical Software, 2026

Table 4.4 presents the results of the Cross-Section Dependence Test, specifically the Pesaran CD test, which checks whether residuals across different cross-sectional units (e.g., firms) are correlated. The essence of this test lies in identifying whether the behavior of one firm influences or is influenced by another, a common issue in panel data analysis. The null hypothesis assumes no cross-sectional dependence among residuals. The reported probability value of 0.0150 is less than the 0.05 significance level, leading to the rejection of the null hypothesis. This means that there is evidence of cross-section dependence in the data—suggesting that unobserved common factors or inter-firm linkages may exist, such as industry-wide shocks or macroeconomic influences affecting firms simultaneously. Hence, panel estimated generalized least square regression was used in order to account for this dependence, to avoid biased results.

Table 4.5: Heteroskedasticity LR Test

Panel Cross-section Heteroskedasticity LR Test
Null hypothesis: Residuals are homoskedastic
Equation: UNTITLED
Specification: PGR CAGR IAGR C

	Value	df	Probability
Likelihood ratio	956.0498	30	0.0000

Source: Author's Computation from Eviews 10.0 Statistical Software, 2026

The heteroskedasticity test in Table 4.5 applies the Likelihood Ratio (LR) method to detect whether the variance of residuals is constant (homoskedastic) or varies across observations (heteroskedastic). The essence of this test is to validate one of the key assumptions of classical linear regression—that the error term has a constant variance. A probability value less than 0.05 indicates the presence of heteroskedasticity, meaning the residuals do not have uniform variance. In this case, the LR test probability of 0.0000 leads to rejection of the null hypothesis of homoskedasticity. This implies that the residuals are heteroskedastic, suggesting that the variability in profit growth

differs across firms, possibly due to differences in firm size, asset structure, or market dynamics. Therefore, panel estimated generalized least square regression was used to ensure valid inference in the regression analysis.

Test of Hypotheses

Table 4.6: Panel Estimated Generalised Least Square

Dependent Variable: PGR
Method: Panel EGLS (Period SUR)
Date: 10/28/25 Time: 04:28
Sample: 2015 2024
Periods included: 10
Cross-sections included: 30
Total panel (balanced) observations: 300
Linear estimation after one-step weighting matrix
White period standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CAGR	2.296965	0.173755	13.21953	0.0000
IAGR	5.16E-05	6.54E-06	7.882603	0.0000
C	-17.25127	13.74356	-1.255226	0.2104

Weighted Statistics

R-squared	0.247915	Mean dependent var	0.028724
Adjusted R-squared	0.235124	S.D. dependent var	1.138177
S.E. of regression	0.995242	Sum squared resid	291.2092
F-statistic	19.38263	Durbin-Watson stat	1.988992
Prob(F-statistic)	0.000000		

Source: Author's Computation from Eviews 10.0 Statistical Software, 2026

The model diagnostics in Table 4.6 first confirm the validity and reliability of the estimated equation. The Adjusted R-squared (0.2351) indicates that approximately 23.5% of the variations in firms' profit growth rate (PGR) are explained by changes in current asset growth (CAGR), and intangible asset growth (IAGR). Although the explanatory power is modest, it is acceptable for financial panel data involving multiple firms over several years. The Prob(F-statistic) = 0.0000 shows that the overall model is statistically significant at the 5% level, implying that the combined effects of the independent variables significantly explain variations in profit growth. The Durbin-Watson statistic (1.99), being close to 2, suggests that there is no serious autocorrelation problem in the model residuals, meaning the estimates are not biased by serial dependence. The constant term (C = -17.2513, p = 0.2104), although negative, is statistically non-significant at the 5% level, indicating that when all asset growth rates are held constant, the mean profit growth rate would decline slightly by 17.25%, but this effect cannot be statistically confirmed.

Test of Hypotheses I

Test of Hypotheses I

H_{03}: Current asset growth rate has no significant effect on the net profit growth rate of firms in Nigeria.

The coefficient of CAGR (2.2970, p = 0.0000) demonstrates a positive and statistically significant effect on profit growth at the 5% level. The marginal effect shows that a 1% increase in current asset growth leads to a 2.30% increase in profit growth, holding other factors constant. This strong positive relationship suggests that efficient management and expansion of current assets—such as cash, receivables, and inventories—directly enhance firms' profitability by improving liquidity, sales efficiency, and operational flexibility. Since the p-value is less than 0.05, the null hypothesis (H03: Current asset growth rate has no significant effect on profit growth) is rejected. Thus, current asset growth rate exerts a positive and significant effect on profit growth (β = 2.2970, p = 0.0000).

Test of Hypotheses II

H_{04}: Intangible assets growth rate does not have a significant effect on the net profit growth rate of firms in Nigeria.

The coefficient for IAGR (0.0000516, p = 0.0000) reveals a positive and statistically significant effect on profit growth at the 5% level. Marginally, for every 1% increase in intangible asset growth, profit growth increases by approximately 0.00005%, which, although numerically small, is statistically significant. This suggests that growth in intangible assets—such as software, patents, goodwill, and intellectual property—enhances profitability, possibly by improving innovation, brand recognition, and firm competitiveness. Since the p-value is below 0.05, the null hypothesis (H04: Intangible asset growth rate does not have a significant effect on profit growth) is rejected. The results imply that intangible asset growth rate has a positive and significant effect on profit growth (β = 0.0000516, p = 0.0000).

Discussion of Findings

Current Asset Growth Rate (CAGR) and Profit Growth Rate

The study found that current asset growth rate exerts a positive and significant effect on net profit growth rate (β = 2.2970, p = 0.0000), implying that efficient management and growth of current assets such as cash, receivables, and inventories boost profitability. This can be attributed to improved liquidity and operational flexibility, which enable firms to meet short-term obligations and exploit market opportunities promptly. This finding is consistent with Irungu (2017), who reported that liquidity has a positive and significant effect on financial performance. Similarly, Akinleye and Adesina (2019) found that current asset ratios significantly improve return on assets, confirming the crucial role of working capital management in profitability. In the same vein, Ndubusi and Ezechukwu (2017) showed that cash holdings positively and significantly affect firm performance, emphasizing the profitability benefits of maintaining sufficient liquid assets. Likewise, Nwarogu and Jacob (2017) supported this outcome by demonstrating that cash conversion cycle and cash holdings have a significant positive relationship with return on assets, reinforcing that current asset efficiency drives profitability growth.

Intangible Asset Growth Rate (IAGR) and Profit Growth Rate

The finding that intangible asset growth rate has a positive and significant effect on net profit growth rate (β = 0.0000516, p = 0.0000) highlights the increasing importance of intangible resources—such as intellectual property,

brand value, and human capital—in driving firm profitability. This relationship indicates that firms investing in innovation, technology, and intellectual capital can achieve sustainable profit growth. This result strongly aligns with Zhang (2017) and Nijun Zhang (2017), who both reported that intangible assets significantly enhance firm profitability in China. Likewise, Murat and Derya (2019) found that computerized information and economic competence, as components of intangible assets, positively influence sustainable firm growth and value. Ofurum and Aliyu (2018) further confirmed that elements of intellectual capital, especially human capital efficiency, significantly affect firm performance, aligning with this study's conclusion that intangible investments yield measurable profitability gains. Conversely, John-Akamelu and Iyidiobi (2018) found a negative relationship between value-added intellectual coefficients and growth in bank revenue, suggesting that in some industries, intangible investments may take time before translating into tangible profit improvements.

Summary of Findings, Conclusion, and Recommendations

Summary of Findings

The findings of the study were as follows:

1. Current asset growth rate has a positive and significant effect on the net profit growth rate of firms in Nigeria (β = 2.2970, p = 0.0000).
2. Intangible assets growth rate has a positive and significant effect on the net profit growth rate of firms in Nigeria (β = 0.0000516, p = 0.0000).

Conclusion

The study concluded that asset growth rate and current asset growth rate play a vital role in determining the financial performance of firms in Nigeria. Firms that effectively expand and manage their total assets and current assets are more likely to achieve improved profitability, better liquidity position, increased operational efficiency, and enhanced shareholders' value. The study further revealed that efficient utilization of assets enables firms across different sectors to withstand economic challenges, improve competitiveness, and sustain long-term growth. Therefore, proper asset investment and management strategies are essential for strengthening the financial performance of firms in Nigeria's multi-sectoral economy.

Recommendations

1. Financial managers and operations executives should enhance working capital management by improving inventory control, accelerating receivables collection, and maintaining optimal cash balances. Effective management of current assets will improve liquidity and operational efficiency, thereby supporting higher net profit growth rates.

2. Corporate executives and human resource directors should increase investment in intangible assets such as brand development, employee training, research and development, and digital innovation. Strengthening these knowledge-based and technological assets will help firms sustain competitive advantage and improve profitability over time.

Contributions to Knowledge

This study contributes to the literature by providing empirical evidence on how different components of asset growth influence the financial performance of firms in Nigeria. Using data from thirty firms consistently listed on the Nigerian Exchange Group between 2015 and 2024, the research examined the effects of total, non-current, current, intangible, and financial asset growth rates on firms' net profit growth. By applying an ex post facto design and panel estimated generalized least squares regression, the study offers a comprehensive analysis of the relationship between asset expansion and profitability across key sectors such as Consumer Goods, Industrial Goods, and Oil & Gas. The findings extend understanding of how asset structure dynamics shape firm performance within an emerging market context, providing evidence that can inform corporate investment strategies and policy decisions in Nigeria's evolving financial environment.

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