Effect of asset growth rate on financial performance of firms in Nigeria

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Abstract

The study examined effect of Asset Growth Rate and on the financial performance of Firms in Nigeria. Specifically, the study sought to examine the effect of total asset growth rate on the Profit for the year of firms in Nigeria; ascertain the effect of non-current asset growth rate on the To achieve these objectives, five research questions and hypotheses were raised. Relevant conceptual, theoretical and empirical literatures were examined. Ex post facto research design was employed. The data used in this study were sourced from annual reports and accounts of the selected firms. Descriptive statistics and ordinary least Square regression were employed in analyzing the data. The study found that total asset growth rate had a significant effect on the Profit for the year of firms in Nigeria (where t-values of -2.120557 and P-values of 0.0387), that Non-current asset growth rate does significantly affect the Profit for the year of firms in Nigeria (t-value of -3.355982 and P-value of 0.0015). In conclusion, the effect of asset growth rate on the financial performance of oil and gas firms in Nigeria reveals a nuanced relationship. The findings indicate that while asset growth is theoretically crucial for enhancing firm value and operational capacity, it does not significantly impact profitability in the Nigerian oil and gas sector. The study recommended among other things that to enhance profitability, Nigerian firms should strategically manage their total asset growth. This includes optimizing asset utilization, investing in high-return assets, and ensuring efficient allocation of resources.

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Introduction

Asset growth rate is a critical determinant of firm financial performance, influencing various aspects of operations and strategic decision-making. Asset growth plays a pivotal role in shaping a firm's financial performance, serving as a crucial indicator of its health, competitiveness and prospects (Haji, et al, 2018). The growth trajectory of assets directly impacts various aspects of financial operations and strategic decision-making within an organization. First and foremost, asset growth is intricately linked to revenue generation and profitability. Expansion of assets often facilitates increased production capacity, market reach, and efficiency, leading to higher sales volumes and revenues. Moreover, efficient asset utilization can enhance profitability through cost savings, improved operational effectiveness, and economies of scale. Furthermore, asset growth influences a firm's ability to attract investment capital and secure financing. As

noted by Parnell (2011), a growing asset base not only signifies the company's potential for future earnings but also instills confidence in investors and lenders regarding its stability and growth prospects. This, in turn, enables the firm to access additional funding at favorable terms, fueling further expansion and development initiatives. Moreover, asset growth reflects the organization's strategic vision, operational effectiveness, and adaptability to market dynamics. It underscores management's ability to allocate resources wisely, pursue growth opportunities, and navigate competitive pressures effectively (Olaoye et al, 2019). Sustainable asset growth fosters resilience against economic downturns, industry disruptions, and other external challenges, safeguarding long-term financial stability and shareholder value. In essence, asset growth serves as a cornerstone of firm financial performance, intertwining operational efficiency, strategic planning, and stakeholder confidence. It not only drives revenue and profitability but also shapes the organization's resilience, competitiveness, and capacity for sustainable growth in a dynamic business environment.

The effect of asset growth rate on firm performance in Nigeria is a topic of significant interest, given the country's dynamic economic landscape and evolving business environment.

Ajibola and Adebayo (2014) note that in the Nigerian context highlights the positive relationship between asset growth and firm profitability, emphasizing the role of asset expansion in driving revenue generation and operational efficiency. This finding underscores the importance of strategic asset management in enhancing financial performance and sustaining competitive advantage in the Nigerian market. Moreover, Alimi, Adaramola, and Kehinde (2019) examined the impact of asset growth on firm value in Nigeria, indicating a strong association between asset expansion and market valuation. The research underscores the significance of asset growth as a key determinant of investor perception and confidence, thereby influencing firm performance and shareholder wealth creation. Furthermore, the Nigerian business environment presents unique challenges and opportunities that shape the effect of asset growth on firm performance.

Factors such as regulatory dynamics, infrastructural limitations, and market volatility can influence the effectiveness of asset expansion strategies and their impact on financial outcomes. As such, understanding the interplay between asset growth rate and firm performance in the Nigerian context requires a nuanced analysis that considers both internal and external factors affecting organizational success. In essence, the effect of asset growth rate on firm performance in Nigeria is multifaceted, encompassing aspects of profitability, market valuation, and strategic resilience. By leveraging assets effectively and navigating the complexities of the local business environment, Nigerian firms can enhance their competitiveness, drive sustainable growth, and create value for stakeholders (Inyiama, 2017).

Asset growth indicators such as total asset growth rate, non-current asset growth rate, current asset growth rate, asset turnover ratio, and annual asset growth rate play a crucial role in shaping the profitability of firms across various sectors in Nigeria. Ajibola and Adebayo (2014) found a positive correlation between asset growth and firm profitability in Nigeria's manufacturing sector, highlighting the significance of effective asset management in driving financial performance. Additionally, a study by Alimi, et al (2019) observed a strong association between asset growth and firm value in Nigeria, indicating the importance of asset expansion strategies in enhancing shareholder wealth. Furthermore, asset turnover ratio, which measures the efficiency of asset utilization in generating sales revenue, has been identified as a key determinant of profitability across industries (Stulz & Williamson, 2003). Overall, these asset growth indicators collectively influence the profitability and value creation of firms in different sectors of the Nigerian economy, underscoring the importance of strategic asset management practices.

While research on the effect of asset growth rate on firm performance in Nigeria has provided valuable insights, there remains a notable gap in empirical studies regarding the nuanced impact of asset growth on specific industries or sectors within the Nigerian economy. Existing research has predominantly focused

on aggregate measures of firm performance across various sectors, overlooking potential sector-specific dynamics that may influence the relationship between asset growth rate and financial outcomes. For instance, Akpan and Udoka (2020) highlights the importance of considering sectoral differences in analyzing the effect of asset growth on firm performance, particularly in industries such as banking, telecommunications, and manufacturing. Sector-specific factors such as regulatory environments, technological advancements, and market competition can significantly shape the effectiveness of asset expansion strategies and their impact on financial performance within each sector. Li, et al (2019) highlights the positive correlation between asset growth and firm profitability, emphasizing the importance of expanding assets to enhance revenue generation and operational efficiency. Additionally, Stulz and Williamson (2003) underscores the significance of asset growth in attracting investment capital and securing financing, citing asset expansion as a key factor in building investor confidence and accessing favorable funding terms. Furthermore, exploring the moderating effects of industry-specific variables on the relationship between asset growth rate and firm performance could provide valuable insights into sectoral dynamics and strategic management practices in Nigeria. By addressing this gap in empirical research, future studies can offer a more comprehensive understanding of how asset growth influences firm performance across different sectors of the Nigerian economy, thereby informing more targeted policy interventions and managerial strategies.

Statement of the Problem

The effect of asset growth rate on firm performance in Nigeria presents a multifaceted problem with significant implications for the country's economic development. Despite the recognized importance of asset growth in driving financial performance, several challenges and gaps exist that warrant investigation. The ideal situation would see Nigerian firms effectively leveraging asset growth to enhance operational efficiency, profitability, and long-term sustainability. However, the reality often deviates from this ideal due to various factors such as inadequate infrastructure, limited access to financing, regulatory constraints, and sector-specific challenges.

As a result, many firms may struggle to achieve optimal asset utilization and fail to realize the full potential of their growth initiatives.

Consequently, the consequences of suboptimal asset growth can be profound. Nigerian firms may experience reduced competitiveness, stagnant revenue growth, and diminished shareholder value. Moreover, inefficiencies in asset management may exacerbate economic inequalities, hinder job creation, and impede overall economic progress. Inadequate total asset growth rate, non-current asset growth rate, current asset growth rate, asset turnover ratio, and market value of assets can have profound consequences on the profit for the year of firms across various sectors in Nigeria. Firstly, insufficient asset growth rates may lead to stagnant revenue streams, hindering the firm's ability to expand operations, innovate, or invest in new opportunities. This can result in diminished competitiveness and market share loss, particularly in dynamic industries where growth is essential for survival. Moreover, a low asset turnover ratio indicates inefficiencies in asset utilization, leading to increased operating costs, reduced profitability, and decreased return on investment. Inadequate market value of assets may signal undervaluation or depreciation, impacting the firm's financial health and investor confidence. This can limit access to capital, constrain growth initiatives, and undermine long-term sustainability. Hence, the consequences of inadequate asset growth indicators extend beyond financial performance to encompass broader implications for business viability, market positioning, and stakeholder trust.

The current situation in Nigeria presents several challenges that significantly impede firm financial performance despite efforts to increase asset growth rates. Economic instability, marked by fluctuating exchange rates, inflationary pressures, and revenue volatility from oil-dependent exports, creates a precarious business environment. Regulatory constraints and bureaucratic inefficiencies further hinder firms' ability to efficiently utilize assets and pursue growth opportunities. Additionally, inadequate infrastructure, including unreliable power supply and

inadequate transportation networks, poses operational challenges and increases costs for businesses across sectors. Moreover, political uncertainties, such as social unrest, security concerns, and policy unpredictability, undermine investor confidence and deter long-term investment. These factors collectively contribute to a climate of uncertainty and risk aversion, discouraging both domestic and foreign investment and limiting firms' capacity to expand operations and optimize asset growth. In such a challenging environment, firms face significant barriers to achieving sustainable asset growth and maximizing financial performance. In view of all these, challenges there are notable gap in the field of study in Nigeria needed to address the challenges. The research gap lies in the limited understanding of how asset growth rate specifically impacts firm performance in the Nigerian context, particularly across different sectors. Existing studies often provide fragmented insights or focus solely on aggregate measures, overlooking sector-specific dynamics and implications. As a result, there is a lack of comprehensive analysis that considers the nuanced relationships between asset growth, financial performance, and broader socio-economic factors in Nigeria. Addressing this research gap is critical for informing evidence-based policy interventions, strategic decision-making by firms, and academic discourse. By gaining a deeper understanding of the challenges and opportunities related to asset growth in Nigeria, stakeholders can develop targeted strategies to foster sustainable economic growth, enhance business resilience, and promote inclusive development. It is against this present scenario that the study examined the effect of Asset Growth Rate and on the financial performance of Firms in Nigeria.

Objectives of the Study

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

i.   Examine the effect of total asset growth rate on the profit for the year of firms in Nigeria;
ii. Ascertain the effect of non-current asset growth rate on the profit for the year of firms in Nigeria;

Research Questions

The following research questions were made for the study.

i.   What is the effect of total asset growth rate on the profit for the year of firms in Nigeria?
ii. What effect does non-current asset growth rate have on the profit for the year of firms in Nigeria?

Statement of Hypotheses

The following null hypotheses were formulated for the study.

i.   Total asset growth rate has no significant effect on the profit for the year of firms in Nigeria.
ii. Non-current asset growth rate does not significantly affect the profit for the year of firms in Nigeria.

Scope of the Study

The scope of this study encompasses an analysis focusing on the effect of asset growth rate on the financial performance of firms in Nigeria from 2013 to 2022. Specifically, the study investigated the relationship between total asset growth rate, non-current asset growth rate, current asset growth rate, annual asset growth rate and compound annual growth rate with profit for the year across various sectors in Nigeria. By examining data from different sectors, including industrial goods, telecommunications, conglomerate, and others, the study aims to provide a comprehensive understanding of how asset growth influences financial performance in diverse industries within the Nigerian economy. Through statistical analysis and regression modeling techniques, the study assessed the significance of these variables in explaining variations in profit for the year, thereby shedding light on the drivers of profitability and value creation for firms operating in Nigeria's dynamic business environment.

Conceptual Review

Asset Growth Rate

Assets are resources owned or controlled by an entity that have economic value and are expected to provide future benefits. In accounting and finance, assets are classified into various categories based on their nature and intended use, including tangible assets such as property, equipment, and inventory, as well as intangible assets like patents, trademarks, and goodwill. The concept of assets is fundamental to understanding an organization's financial position, performance, and potential for growth. According to the International Financial Reporting Standards (IFRS) framework, assets are defined as "probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events" (IFRS, 2022). This definition underscores the notion that assets represent resources that can generate future cash flows or contribute to the entity's ability to generate revenue and achieve its objectives.

Classification of Assets

Peterson (2002) simply defined assets as those things we purchase today that will bring future benefits. United States Financial Accounting Standards Board Concepts Statement 6, defined assets as "probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events." Also, The United States Institute of Management Accountants defined assets as "any owned physical object (tangible) or right (intangible) having economic value to its owners; an item or source of wealth with continuing benefits for future periods, expressed, for accounting purposes, in terms of its cost, or other value, such as current replacement cost.

One way of classifying assets is based on their ease of convertibility into cash. According to this classification, total assets are classified either into current assets or non-current assets (fixed assets). Other classifications are physical existence (tangible or intangible assets) and usage (operating and non-operating assets). In this study, classification based on convertibility will be adopted. In order to maintain its activity, firms typically need these two types of assets, fixed assets and current assets. Fixed assets which include, building, plant, machinery, furniture, and fitting among others are not purchased for the purpose of resale, but for operational purposes (Singh & Pandey, 2008); while, current assets like cash/bank balance, inventory and receivables are seen as key components of the firm`s total assets. A firm may be able to reduce its investment on fixed assets by leasing, but it is practically difficult to do so for current asset (Afza & Nazir 2008). Whatever way assets is defined, it is important to stress that assets must be managed, not just purchased, used up, and replaced.

Total Asset Growth Rate

Total asset growth rate refers to the percentage change in a company's total assets over a specific period, typically from one reporting period to another. It is a key financial metric used to assess the pace of asset expansion or contraction within an organization. Total assets include all of a company's resources, both tangible and intangible, such as cash, inventory, property, equipment, investments, and intellectual property.

The formula for calculating Total Asset Growth Rate is:

Total Asset Growth Rate $=$

$$\frac{(\text{Total Asset}_{end} - \text{Total Assets}_{start}) \times 100\%}{\text{Total Assets}_{start}}$$

Total asset growth rate provides valuable insights into a company's investment activities, capital allocation decisions, and overall financial health. A positive growth rate indicates that the company is expanding its asset base, potentially through investments in new equipment, acquisitions, or research and development initiatives.

Non-current asset growth rate

Non-current asset growth rate refers to the percentage change in a company's non-current or long-term assets over a specific period. Non-current assets are resources that are expected to provide economic benefits beyond the current accounting period and typically include items such as property, plant, equipment, intangible assets, and long-term investments. The non-current asset growth rate is an important financial metric used to evaluate the pace at which a company is expanding its long-term asset base. The formula for calculating

non-current asset growth rate is similar to that of total asset growth rate:

Non-current Asset Growth Rate =

$$\frac{(\text{Non-current Asset}_{end} - \text{Non-current Assets}_{start}) \times 100\%}{\text{Non-current Assets}_{start}}$$

Financial Performance

Various authors define performance in various ways, for instance, Watkins (2007) defined performance as valuable results, accomplishment, or contributions of an individual or an organization, regardless of preferred or mandated process. Ramiz and Junrui (2014) defined performance as an achievement of tangible, specific, measurable, worthwhile and personally meaningful goals. Performance is the ability of an organization to gain and manage the resources in several difference ways to develop a competitive advantage. Literature usually distinguishes between two types of performance, financial or economic performance and innovative performance. This study concentrated on financial performance. Bhunia, Mukhuti and Roy (2011) defined financial performance as firm's overall financial health over a given period of time. Financial performance of a firm for a period can be ascertained through the process of financial performance analysis.

Financial Statement Analysis Techniques

Financial statement analysis techniques are critical tools used by investors, analysts, and stakeholders to evaluate the financial performance, health, and stability of a company. These techniques involve the systematic examination and interpretation of financial statements, including the income statement, balance sheet, and cash flow statement, to assess various aspects of a company's financial position (Haji & Ghazali, 2018). The following are key financial statement analysis techniques:

i. **Ratio Analysis:** Ratio analysis involves calculating and interpreting various financial ratios derived from the financial statements to assess different aspects of a company's performance. Common ratios include liquidity ratios (e.g., current ratio, quick ratio), profitability ratios (e.g., net profit margin, return on equity), solvency ratios (e.g., debt-to-

equity ratio, interest coverage ratio), and efficiency ratios (e.g., asset turnover ratio, inventory turnover ratio). Ratio analysis provides insights into the company's financial health, efficiency, and risk profile (Haji & Ghazali, 2018).

ii. **Vertical Analysis**: Vertical analysis, also known as common-size analysis, involves expressing each line item on the financial statements as a percentage of a base figure (e.g., total revenue for the income statement, total assets for the balance sheet). This allows for the comparison of individual line items within the financial statements over time and across companies of different sizes.

iii. **Horizontal Analysis:** Horizontal analysis, also known as trend analysis, involves comparing financial data over multiple periods to identify trends, patterns, and changes in performance over time. This analysis helps stakeholders understand the company's historical performance, assess the direction of financial trends, and identify areas of improvement or concern (Haji & Ghazali, 2018).

iv. **DuPont Analysis**: DuPont analysis decomposes return on equity (ROE) into its component parts, including profitability, efficiency, and leverage, to provide a more comprehensive understanding of the drivers of ROE. This technique helps identify the sources of a company's profitability and assesses the effectiveness of its operational and financial strategies.

v. **Cash Flow Analysis**: Cash flow analysis involves examining the sources and uses of cash within a company to assess its ability to generate cash from its operating, investing, and financing activities. By analyzing cash flow patterns, stakeholders can evaluate the company's liquidity, capital expenditure requirements, and ability to meet its financial obligations.

In sum, financial statement analysis techniques are essential tools for evaluating a company's financial performance, health, and stability. By applying these techniques, stakeholders can gain valuable insights into

the company's operations, profitability, efficiency, and risk profile, enabling informed decision-making and strategic planning.

Key Performance Indicators and Ratios

Key Performance Indicators (KPIs) and ratios are essential tools used in financial analysis to evaluate a company's performance, profitability, efficiency, and financial health. These metrics provide valuable insights into various aspects of a company's operations and are widely used by investors, analysts, and stakeholders to assess the company's financial position (Akpan & Udoka, 2020).

Profit For the Year

Profit for the year, also known as profit after tax or net profit, is a key financial metric that represents the residual income left after deducting all expenses, taxes, and other costs from a company's total revenue within a specific accounting period, typically one fiscal year. It serves as a fundamental measure of a company's financial performance and profitability. The concept of profit for the year is essential for evaluating a company's ability to generate earnings and create value for shareholders. It reflects the company's operational efficiency, sales performance, cost management, and overall business success. Profit for the year is calculated using the following formula:

Profit for the year=Total Revenue−Total Expenses−Taxes

Profit for the year is reported on the income statement, which provides a comprehensive overview of the company's financial performance over a specific period. It is a critical component of financial analysis and decision-making for investors, analysts, lenders, and other stakeholders.

Theoretical Review

Gibrat in 1931 Growth of the Fitter Theory

The Growth of the Fitter theory, proposed by Gibrat in 1931, posits that firm growth follows a random, stochastic process rather than being driven by systematic factors. The theory is based on several basic tenets:

i. Randomness of Growth: According to the theory, firm growth is governed by random, unpredictable processes. This implies that there is no underlying trend or pattern guiding the growth trajectory of individual firms over time.

ii. 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.

iii. Independence of Growth: The theory posits that past growth does not influence future growth. Each period of growth is considered independent of previous periods, and there is no memory effect in the growth process.

iv. Stochastic Nature: Growth of the Fitter theory is stochastic, meaning it is subject to random fluctuations and uncertainties. This stochastic nature reflects the inherent randomness and variability in firm growth processes.

Therefore, the Growth of the Fitter theory challenges conventional notions of firm growth by emphasizing the role of randomness and stochastic processes. It has implications for understanding the dynamics of firm growth, market competition, and economic development

The application of Growth of the Fitter theory in the study of the effect of asset growth rate on the performance of firms in Nigeria offers a nuanced understanding of how firms evolve and adapt within the Nigerian economic landscape. Growth of the Fitter theory, proposed by Gibrat (1931), posits that firm growth is primarily driven by random, stochastic processes, rather than systematic factors. In the context of Nigerian firms, this theory provides insights into the dynamic nature of asset growth and its impact on firm performance.

By applying Growth of the Fitter theory, researchers can examine how asset growth rates vary among firms of different sizes, sectors, and geographical locations within Nigeria. This approach allows for the exploration of stochastic processes such as innovation, market competition, and resource allocation, which influence asset growth trajectories and ultimately affect firm performance.

Furthermore, understanding the applicability of Growth of the Fitter theory in the Nigerian context can inform policy interventions, investment strategies, and business decisions aimed at fostering sustainable growth and development. By acknowledging the inherent randomness and variability in firm growth processes, policymakers and stakeholders can adopt more flexible and adaptive approaches to support the growth and competitiveness of Nigerian firms.

Empirical Review

Total Asset Growth Rate and the Profit for the Year

Effect of Stocks on Return on Assets of Selected Pharmaceutical Firms in Nigeria Natarajan (2020) examined the relationship between stocks and financial performance for firms listed at the Bombay Stock Exchange (BSE). The study used a descriptive research design and targeted a firm listed at the BSE. The study used only secondary data, which covered a period of 5 years from 2015 to 2019. The study also adopted correlation analysis to establish the relationship between stocks and financial performance. The results of correlation found a substantial positive correlation between stocks and financial performance but found an insignificant positive correlation between stocks and dividends payout ratio of the BSE listed firms.

Charlie and Akpan (2020) conducted a study on tangible and intangible asset ratios and the performance of deposit money banks in Nigeria. The study used secondary data, which were collected from published financial statements of ten (10) sampled DMBs from 2000 to 2017. The ex-post facto research design was adopted and Pooled multiple regression techniques were employed for the analysis and test of the hypotheses. Result reveals that the ratio of tangible to intangible asset has a significant negative effect on the ROA of DMBs in Nigeria.

Kurniawan (2021) conducted a study on the analysis of the effect of return on asset, debt to equity ratio, and total asset turnover on share return. The population in this study were all property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) which are listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period as many as 54 companies. The method used by the author in analyzing the data in this study is descriptive and quantitative statistical analysis with panel data regression, the data is processed with e-views 10. The results showed that partially Return on Assets had no significant effect on Stock Returns, the partial debt to Equity Ratio had no significant effect on Stock Returns, Total Asset Turnover partially had a positive and significant effect on Stock Returns.

Doddy (2021) explored the effect of total asset turnover, net profit margin, and debt to equity ratio on profit growth in automotive companies listed in Indonesia stock exchange. The population used in this study were 13 companies and a sample that met the criteria (purposive sampling) was 7 companies. Data collection techniques used in this study using documentation techniques and data sources used in this study are secondary data sources. The data analysis technique used in this study is a quantitative technique with multiple linear regression analysis, hypothesis testing and coefficient of determination test. Data management using SPSS (Statistical Package for the Social Sciences) version 20 for windows. The results of this study are partially total asset turnover has no effect on profit growth. Partially, net profit margin has no effect on profit growth. Partially the debt to equity ratio has an effect on profit growth. Simultaneously total asset turnover, net profit margin, and debt to equity affect profit growth in automotive companies listed on the Indonesia Stock Exchange for the 2014-2018 period.

Ndung'u et al (2022) examined the effects of total assets on financial performance of food and beverage manufacturing firms in Nakuru County, Kenya. The study was guided by economic theory of firm growth. The study adopted descriptive survey research design with a target population of 15 food and beverage manufacturing firms. The unit of observation was 15 food and beverage manufacturing firms in Nakuru County. The unit of analysis was 56 employees in the finance department. The study utilized primary data. Questionnaires were used to collect primary data desirable for the study. Piloting was done in Kericho County. Data was analyzed using both descriptive and inferential statistical methods. Descriptive analysis was done using frequency, percentage, means and standard deviations to describe the basic characteristics of the

population. Inferential statistics involved the use of Pearson's Product Moment correlation and multiple regression model. The finding of the study was presented in table form. There exists a moderate positive and significant relationship between total assets and financial performance of food and beverage manufacturing firms in Nakuru county Kenya (r=0.513 and p=0.000).

Non-current Asset Growth Rate and the Profit for the Year

Nkechi and Sunday (2020) investigated the impact of asset utilization on the net worth of large cap companies listed on the Nigeria Stock Exchange between the 2012 and 2016 fiscal years. According to the study, both current assets (CASU) and tangible non-current assets (TNCAU) have a positive and significant impact on the net worth of companies with large market capitalizations in Nigeria at a 10% significance level. The study recommends that managers of companies with large market capitalizations in Nigeria make aggressive investment moves to increase asset utilization because it has the potential to positively drive their firms' net worth.

Iltaş and Demirgüneş (2020) explored the asset tangibility and financial Performance: A Time Series Evidence. This paper analyzes the effect of asset tangibility on the financial performance of the Turkish manufacturing sector covering 1990.Q3-2016.Q4. The stationarity of series and the cointegration relationship among them are tested by the Auto Dicky Fuller technique (1979; 1981), KPSS (1992), and Zivot and Andrews (1992) unit root tests, and one-break Gregory and Hansen (1996) cointegration test. Long-run coefficients estimated by Stock & Watson's (1993)'s DOLS methodology posit that asset tangibility, financial leverage, liquidity, and operating efficiency have significant and positive effects on financial performance till (and including) the break date. However, from this break date on, they affect financial performance negatively.

Qureshi and Siddiqui (2020) focused on the effect of Intangible Assets on Financial Performance, Financial Policies, and Market Value of Technology Firms: A Global Comparative Analysis. Structural equation modeling analysis was used to ascertain the relationship among intangible assets, firm performance, firm policies, and market value in the year 2015 to 2018 of 80 companiesaccording to the market capitalization of their respective countries in the technology sector globally. The measures used in this study profitability efficiency, capital structure, dividend policy and market value that is calculated through the proxies ROA, ROE, ROIC, ATO, Net Profit Margin, debt to equity ratio, dividend payout ratio, price-earnings ratio, price to sales and price to book value. The results from Multi group Analysis (MGA) revealed that there are differences (p < .05) in the significance of the impact of Assets on the criterion variable between a few countries for instance Asset's impact on ROIC is significantly different between Russia & China and USA

Maletič, et al (2020) worked on an analysis of Physical Asset Management Core Practices and their Influence on Operational Performance. The commitment of organisations to physical assets management (PAM) has recently received considerable attention in theory and practice. Survey data were collected from managers in 138 international and local organisations. The data was analysed using Partial Least Squares Path Modeling (PLS-PM). The study validated the second-order construct consisting of PAM latent variables, namely Strategy and Planning, Risk management, Lifecycle Delivery, Asset Information, and Asset Review. The results have shown that PAM core practices directly influence operational performance. This paper is a response to recent calls for empirical studies on the organisational approaches that can increase the success of organisations.

Shafiquea et al., (2021) used a sample dataset of 30 listed textile companies on the Pakistan Stock Exchange from 2015 to 2019 to investigate the effects of asset utilization and corporate growth on financial performance. According to the findings of the study, asset utilization influences the financial performance of the company before any investment decision is made. The results of the study, which used descriptive statistics and panel regression techniques, show that asset utilization and corporate growth have a significant and positive influence on financial performance.

Gap in Empirical Review

Despite previous studies examining the relationship between asset growth rate and financial performance of firms in Nigeria, a notable gap exists in empirical research regarding the incorporation of specific variables related to asset growth. Most previous studies have focused on general measures of asset growth without considering detailed factors such as total asset growth rate, non-current asset growth rate, current asset growth rate, asset turnover ratio, and market value of assets. This gap is significant because it overlooks the nuanced impact of different types of asset growth on financial performance across various sectors in Nigeria. For instance, the composition of assets, their turnover efficiency, and market valuation can vary significantly among industries, influencing the relationship between asset growth and financial outcomes. By incorporating these specific variables into empirical analyses, researchers can provide more granular insights into how different types of asset growth affect firm performance within specific sectors of the Nigerian economy. This detailed understanding is essential for policymakers, investors, and managers to make informed decisions regarding resource allocation, investment strategies, and operational improvements aimed at enhancing financial performance and fostering sustainable growth in Nigeria's diverse economic landscape.

Methodology

Research Design

The *ex post facto* research design was 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 relationship between asset growth rate and financial performance indicators. This research design allowed 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 study was conducted in Nigeria and based on oil and gas sector of the Nigerian economy. Nigeria, located in West Africa, occupies a prominent position on the continent both geographically and economically. Positioned between latitudes 4° and 14°N and longitudes 2° and 15°E, Nigeria is bordered by several countries including Benin, Niger, Chad, and Cameroon. Its coastline extends along the Gulf of Guinea to the south, providing access to the Atlantic Ocean. The country's diverse geography encompasses expansive plains, lush rainforests, rolling hills, and river valleys, offering rich natural resources and biodiversity. Nigeria's central region is characterized by the Niger and Benue Rivers, which converge in the country's heartland. The southern coastal region features mangrove swamps and deltas, while the north boasts the Sahel savannah and semi-arid landscapes. This diverse geography not only shapes Nigeria's climate, agriculture, and natural ecosystems but also influences its cultural heritage, economic activities, and geopolitical significance in the region.

Sources of Data

The study made use of secondary data extracted from the audited Annual Reports and statements of account of the selected oil and gas firms in Nigeria.Time-series 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 (2013-2022). 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.

Population of the Study

The population for this study consists of eight (8) oil and gas firms listed in the Nigerian Exchange Group. As of 2024, there are ten oil and gas companies listed on the Nigerian Exchange Group (NGX). These companies are:

1. Ardova Plc
2. Conoil Plc
3. Eterna Plc
4. Japaul Gold and Ventures Plc

5. MRS Oil Nigeria Plc
6. Oando Plc
7. Seplat Energy Plc
8. TotalEnergies Marketing Nigeria Plc

Sample Size Determination

To investigate the effect of asset growth rate on the financial performance of firms in Nigeria, a purposive sampling technique was employed, focusing on six (6) oil and gas companies listed on the Nigerian Exchange Group. These firms were chosen based on their significant presence and active trading status in the Nigerian oil and gas sector, ensuring a representative sample for the industry.

Description of Variables

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

The selected oil and gas firms were: Conoil Plc, Eterna Plc, MRS Oil Nigeria Plc, Oando Plc, Seplat Energy Plc and TotalEnergies Marketing Nigeria Plc.

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 model were stated as follows:

$PFY_t = \beta_0 + \beta_1 TAGR + \beta_2 NAGR + u_1$.........................i

PFY_{it} : Profit for the year for firm i in year t.

TAGR : Total asset growth rate of firm i in year t.

NAGR : Non-current asset growth rate of firm i in year t.

B_0 : Constant Term (Intercept)

β_1 : coefficient of Total asset growth rate

β_2 : coefficient of Non-current asset growth rate

u: Error term

Table 3.1 Description of Variables

Variable Acronym	Variable Name	Variable Type	Measurement	Source
PFY	Profit for the Year	Dependent	The concept of profit for the year is essential for evaluating a company's ability to generate earnings and create value for shareholders. It reflects the company's operational efficiency, sales performance, cost management, and overall business success. Profit for the year is calculated using the following formula: Profit for the year=Total Revenue−Total Expenses−Taxes	Aldridge (2015)
TAGR	Total asset growth rate	Independent	It is a key financial metric used to assess the pace of asset expansion or contraction within an organization. Total assets include all of a company's resources, both tangible and intangible, such as cash, inventory, property, equipment, investments, and intellectual property. The formula for calculating Total Asset Growth Rate is: Total Asset Growth Rate = $\frac{(\text{Total Asset}_{end} - \text{Total Assets}_{start})}{\text{Total Assets}_{start}} \times 100\%$	(Penman, 2007).

Source: Researcher's Compilation 2024.

Method of Data Analysis

The method adopted in analyzing the data and carrying out other estimations is linear regression with the application of the multiple linear regression techniques. This method of data analysis is preferred because the data for the research is time series secondary data. The software that will aid this estimation is the E – views software.

The study involves the use of the empirical method which adopts regression analysis using the multiple 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). Again regression analysis is used in modeling and analyzing several variables when the focus is on the relationship between a dependent variable and one or more independent variables (Onwumere, 2005). Most commonly, regression analysis estimates the conditional expectation of the dependent variable given

the independent variables that are, the average value of the dependent variable when the independent variables are held fixed. The data was analyzed using Descriptive Statistics, Correlation Analysis, and Regression Analysis (Simple Linear Regression using Ordinary Least Square Method (OLS).

Data Presentation and Analysis

Table 4.13: Data for the Oil and Gas Sector

COMPANY	YEAR	PAT ₦ 0'000	TAGR	NCAGR
Conoil Nig. Plc	2022	3082690	37.0	28.13
Conoil Nig. Plc	2021	4957726	47.0	20.84
Conoil Nig. Plc	2020	1972321	69.5	14.46
Conoil Nig. Plc	2019	1440185	21.8	14.75
Conoil Nig. Plc	2018	2566765	83.8	21.06
Conoil Nig. Plc	2017	1578507	79.7	20.40
Conoil Nig. Plc	2016	2837884	79.8	23.07
Conoil Nig. Plc	2015	2307558	49.4	29.10
Conoil Nig. Plc	2014	834421	69.8	42.10
Conoil Nig. Plc	2013	3070091	69.9	48.91
MRS Nig. Plc	2022	1316102	33.7	39.20
MRS Nig. Plc	2021	339873	59.7	44.89
MRS Nig. Plc	2020	2264144	30.2	44.88
MRS Nig. Plc	2019	1613082	35.0	56.74
MRS Nig. Plc	2018	1264941	62.9	59.30
MRS Nig. Plc	2017	1385056	65.0	50.98
MRS Nig. Plc	2016	1465905	48.3	37.71
MRS Nig. Plc	2015	935625	46.0	26.51
MRS Nig. Plc	2014	746404	39.5	28.90
MRS Nig. Plc	2013	634418	43.2	48.89
Oando Nig. Plc	2022	81230816	56.4	55.11
Oando Nig. Plc	2021	54325471	45.9	31.81
Oando Nig. Plc	2020	45064091	59,2	48.19
Oando Nig. Plc	2019	23064091	45.9	59.88
Oando Nig. Plc	2018	28797743	47.9	47.82
Oando Nig. Plc	2017	19772776	59.3	21.98
Oando Nig. Plc	2016	3912607	59.1	21.98
Oando Nig. Plc	2015	49689877	61.4	10.34
Oando Nig. Plc	2014	145655150	31.9	21.10
Oando Nig. Plc	2013	1396926	40.3	20.89
Eterna Plc	2022	1012252	49.8	72.01
Eterna Plc	2021	1100132	53.3	61.91
Eterna Plc	2020	941042	94.4	62.10
Eterna Plc	2019	144289	88.9	59.12
Eterna Plc	2018	1008996	77.0	63.93
Eterna Plc	2017	2001902	84.4	61.90
Eterna Plc	2016	1477559	83.0	59.14
Eterna Plc	2015	1278073	84.0	59.10

Eterna Plc	2014	1289566	83.5	48.12
Eterna Plc	2013	1811239	86.0	55.49
Seplat Energy Plc	2022	19107	69.2	61.01
Seplat Energy Plc	2021	6473	50.3	61.11
Seplat Energy Plc	2020	7160	64.9	71.09
Seplat Energy Plc	2019	66129	60.3	69.32
Seplat Energy Plc	2018	49681	49.0	69.42
Seplat Energy Plc	2017	96416	54.1	76.62
Seplat Energy Plc	2016	24840	57.1	79.61
Seplat Energy Plc	2015	11914	63.6	71.85
Seplat Energy Plc	2014	43529	58.1	57.49
Seplat Energy Plc	2013	23485	45.4	69.90
TotalEnergies Marketing Nigeria Plc	2022	1948482	52.1	51.14
TotalEnergies Marketing Nigeria Plc	2021	1685070	40.1	51.41
TotalEnergies Marketing Nigeria Plc	2020	9445299	33.0	73.13
TotalEnergies Marketing Nigeria Plc	2019	2010293	50.5	70.90
TotalEnergies Marketing Nigeria Plc	2018	2431102	30.9	72.18
TotalEnergies Marketing Nigeria Plc	2017	4134402	29.1	76.10
TotalEnergies Marketing Nigeria Plc	2016	3583583	28.1	59.11
TotalEnergies Marketing Nigeria Plc	2015	4824981	29.5	58.90
TotalEnergies Marketing Nigeria Plc	2014	5624843	29.2	46.90
TotalEnergies Marketing Nigeria Plc	2013	5706671	56.1	64.12

Source: Annual Reports and Accounts of Sampled firms in Oil and Gas Sector

Table 4.2. Descriptive Statistics for Oil and Gas Firms

	LPAT	TAGR	NCAGR
Mean	14.03792	55.15593	49.25186
Median	14.27199	53.30000	55.11000
Maximum	18.79675	94.40000	79.61000
Minimum	8.775395	21.80000	10.34000
Std. Dev.	2.214192	18.33617	19.18266
Skewness	-0.507805	0.273633	-0.429937
Kurtosis	3.346142	2.200283	1.973864
Jarque-Bera	2.830223	2.308491	4.406166
Probability	0.242899	0.315295	0.110462
Sum	828.2375	3254.200	2905.860
Sum Sq. Dev.	284.3535	19500.49	21342.52
Observations	60	60	60

Source: Eviews 10.0 Statistical Software

The variable description of the 60 panel data observations for the selected companies in Nigeria's oil and gas firms is shown in Table 4.2 above. Profit for the Year (8.775395), Total Asset Growth Rate (21.80000), and Non-Current Asset Growth Rate (10.34000), are the minimums for the oil and gas firms, according to the data.

The Maximum for the oil and gas firms, however, is 18.79675 for Profit for the Year; 94.40000 for Total Asset Growth Rate; and 79.61000 for Non-Current Asset Growth Rate; are the industry means for the variables examined.

The coefficients of skewness, kurtosis, and Jarque-Bera probability demonstrate the normalcy of the data series' distribution. The likelihood of the Jarque-Bera Statistics for, Total Asset Growth Rate is shown in Table 4.2 and has insignificant p-values of 0.496943. The normal distribution of the variables is indicated by the negligible p-values.

The kurtosis coefficient further confirmed that Total Asset Growth Rate, is normally distributed with coefficient of Total Asset Growth Rate (2.984515), and the skewness coefficients, which is not greater than one, with the following outcome of Non-Current Asset Growth Rate (-0.963551).

Table 4.3: Pearson Correlation Matrix Results

	LPAT	TAGR	NCAGR
LPAT	1	-0.20695	-0.46497
TAGR	-0.20695	1	0.03661
NCAGR	-0.46497	0.036614	1

Source: Eviews 10.0 Statistical Software

Most regression models use a correlation matrix to examine the relationship between each explanatory variable (TAGR, and NCAGR,) and the dependent variable (PAT) as well as to test for multicollinearity. The relationship between Profit for the Year and the independent variables— TAGR and NCAGR, was the main topic of Table 4.3. independent variables (TAGR = -0.20695; NCAGR = -0.46497 according to the correlation matrix table findings, were found to be negatively associated with Profit for the Year.

Table 4.4: Regression Result for the selected firms

Dependent Variable: LPAT

Method: Panel Least Squares

Date: 06/01/24 Time: 15:19

Sample: 2013 2022

Periods included: 10

Cross-sections included: 6

Total panel (unbalanced) observations: 59

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TAGR	-0.032880	0.015506	-2.120557	0.0387
NCAGR	-0.048732	0.014521	-3.355982	0.0015
C	21.53769	3.324501	6.478473	0.0000

R-squared	0.283642	Mean dependent var	14.03792
Adjusted R-squared	0.216061	S.D. dependent var	2.214192
S.E. of regression	1.960453	Akaike info criterion	4.280372
Sum squared resid	203.6989	Schwarz criterion	4.491647
Log likelihood	-120.2710	Hannan-Quinn criter.	4.362845
F-statistic	4.197074	Durbin-Watson stat	0.488118
Prob(F-statistic)	0.002752		

Source: Author's Computation from Eviews 10.0 Statistical Software

Regression coefficient $PAT_{it} = 21.53769 - 0.032880 - 0.048732 + 0.007397$

Interpretation of Regression Coefficient

The Oil and Gas firm coefficient of regression results are displayed in Table 4.4. For Total Asset and Non-Current Asset it is negative, and for every unit of change in the explanatory variables of asset growth rate that are explained by Total Asset Growth Rate and Non-Current Asset Growth Rate;, the firms PAT will decrease by --0.032880,-0.048732, and further decrease by -0.037663.

The regression model is well specified, as evidenced by the F-statistics of 4.197074 and its P-value of (0.002752), and the R-squared and its adjusted R-squared values in table 4.4 were (0.283642) and (0.216061), respectively, indicating that all the independent variables together explain about 79% of the systematic variations in Profit for the Year (EPS) of firms in oil and gas firms over the ten years (2013-2022), with the error term Accounting for 21% of the systematic variations.

Test of Hypotheses

Decision Rule:

Reject Ho if the P-Value cal< 0.05 at 5% level of significance. Otherwise, accept the null hypothesis (Ho).

Hypothesis One: Total asset growth rate has no significant effect on the Profit for the year of firms in Nigeria.

Decision: According to Table 4.4's panel regression analysis, Total asset growth rate has a negative impact on oil and gas firms' Profit for the Year (PFY). This impact is statistically significant at the 5% level of significance because the P-value is within the 5% significance level. The analysis was based on t-values of -2.120557 and P-values of 0.0387. This result, therefore, suggests that we reject the null hypothesis one (H_{01}) which states that total asset growth rate has no significant effect on the Profit for the year of firms in Nigeria.

Hypothesis Two: Non-current asset growth rate does not significantly affect the Profit for the year of firms in Nigeria.

Decision: According to Table 4.4's panel regression analysis, which was based on the t-value of -3.355982 and P-value of 0.0015, Non-Current Asset growth rate has a negative impact on Profit for the Year (PFY) in the oil and gas firms. However, because the P-value is within the 5% significance level, this influence is statistically significant at the 5% level of significance. This result, therefore, suggests that we reject the null hypothesis two (H_{02}) which states that Non-current asset growth rate does not significantly affect the Profit for the year of firms in Nigeria.

Discussion of Findings

The findings were discussed as follows

Total asset growth rate and Profit for the year

The finding indicated that total asset growth rate has a significant effect on the Profit for the year of firms in Nigeria (where t-values of -2.120557 and P-values of 0.0387).The finding that the total asset growth rate has a significant effect on the profit for the year of firms in Nigeria (t-value of -2.120557 and p-value of 0.0387) underscores the critical role of asset management in driving corporate profitability. This result aligns with previous empirical studies emphasizing the importance of asset growth in enhancing firm performance. For

instance, a study by Akani and Lucky (2014) revealed that asset growth positively impacts the profitability of Nigerian firms, indicating that effective asset utilization and expansion can lead to higher financial returns.

Comparatively, the negative t-value in the current study suggests a nuanced relationship, potentially indicating that rapid asset growth without corresponding efficiency improvements might strain resources and reduce profitability. This complexity is echoed in the work of Titman, Wei, and Xie (2004), who found that while asset growth generally supports profitability, excessive or poorly managed growth can lead to inefficiencies and diminished returns.

Furthermore, the significance of the p-value (0.0387) highlights the robustness of the relationship between asset growth and profitability, reinforcing findings from international contexts. For example, McConnell and Muscarella (1985) demonstrated a positive correlation between asset investment and firm value, supporting the idea that strategic asset growth fosters better financial outcomes. In summary, the current findings substantiate the critical role of asset management in Nigerian firms' profitability. While asset growth is essential, it must be strategically managed to avoid inefficiencies. This aligns with broader empirical evidence, suggesting that balanced asset expansion, combined with effective resource management, is vital for sustaining firm profitability.

Non-Current Asset Turnover and Profit for the year

The result of hypothesis two revealed that Non-current asset growth rate does significantly affect the Profit for the year of firms in Nigeria (t-value of -3.355982 and P-value of 0.0015). The finding that the non-current asset growth rate significantly affects the profit for the year of firms in Nigeria (t-value of -3.355982 and p-value of 0.0015) underscores the vital role that long-term investments play in determining corporate profitability. This result is consistent with prior empirical studies that highlight the importance of non-current assets, such as property, plant, and equipment, in enhancing firm performance.

The significant negative t-value suggests that while growth in non-current assets is crucial, it must be managed efficiently to avoid potential drawbacks. This

complexity mirrors the findings of Titman, Wei, and Xie (2004), who reported that excessive growth in long-term assets could lead to operational inefficiencies and reduced returns, as firms may struggle to effectively integrate and utilize these assets. Similarly, a study by McConnell and Muscarella (1985) demonstrated that strategic investment in non-current assets positively correlates with firm value. They argued that well-planned investments in long-term assets can lead to improved production capabilities, economies of scale, and competitive advantages, thereby boosting profitability. However, they also cautioned against overinvestment, which can strain financial resources and lead to suboptimal performance.

In the Nigerian context, the significant p-value (0.0015) underscores the robust relationship between non-current asset growth and profitability. This finding aligns with the broader literature, such as the work of Akani and Lucky (2014), who found that prudent management of non-current assets positively impacts firm profitability in Nigeria. In summary, the current findings highlight the critical role of non-current asset growth in driving profitability for Nigerian firms. Effective management and strategic planning of long-term investments are essential to leverage these assets' benefits fully, aligning with international empirical evidence on the significance of non-current assets in enhancing corporate financial performance

Summary of Findings, Conclusion and Recommendations

Summary of Findings

The findings of the study were as follows:

i. Total asset growth rate has a significant effect on the Profit for the year of firms in Nigeria (where t-values of -2.120557 and P-values of 0.0387. This highlights the robustness of the relationship between asset growth and profitability, reinforcing findings from international contexts.

ii. The finding revealed that Non-current asset growth rate does significantly affect the Profit for the year of firms in Nigeria (t-value of -3.355982 and P-value of 0.0015). The current findings highlight the critical role of non-current asset growth in driving profitability for Nigerian firms.

Conclusion

In conclusion, the effect of asset growth rate on the financial performance of oil and gas firms in Nigeria reveals a nuanced relationship. The findings indicate that while asset growth is theoretically crucial for enhancing firm value and operational capacity, it does not significantly impact profitability in the Nigerian oil and gas sector. Factors such as economic instability, regulatory challenges, and inefficiencies in asset management contribute to this complexity. These results underscore the importance of strategic asset management and efficient utilization to translate growth into profitability. Moreover, aligning asset growth with market conditions and internal capabilities is vital for maximizing financial performance. Addressing these underlying issues can help Nigerian oil and gas firms leverage asset growth more effectively to enhance their financial outcomes. This highlights the need for a holistic approach that integrates robust asset management practices, economic foresight, and regulatory compliance to drive sustainable profitability in the sector.

Recommendations

The following recommendations were made:

i. To enhance profitability, Nigerian firms should strategically manage their total asset growth. This includes optimizing asset utilization, investing in high-return assets, and ensuring efficient allocation of resources. Additionally, firms should implement robust asset management practices and regularly evaluate their asset portfolio to align growth with operational efficiency. By doing so, firms can better leverage asset growth to drive sustained profitability and financial performance.

ii. Oil and Gas firms in Nigeria should focus on strategic investment in non-current assets to improve profitability. This involves prioritizing long-term assets such as property, plant, and equipment, while ensuring efficient utilization and maintenance. By effectively managing non-current assets, firms can enhance operational efficiency, productivity, and competitiveness, leading to increased profitability and long-term growth.

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