

Firm Growth and Financial Performance of Listed Consumer Goods Firms in Nigeria: The Role of Turnover, Equity and Total Assets

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Abstract

Firm growth is often interpreted as an indicator of corporate strength, yet expansion in sales, equity, and assets does not necessarily translate into superior profitability. This study therefore shifts the focus from the magnitude of firm growth to the quality and profitability of growth, examining whether different dimensions of expansion are effectively converted into financial performance among listed consumer goods firms in Nigeria. Specifically, the study investigates the effects of turnover, equity, and total assets on return on assets (ROA), drawing on Sustainable Growth Theory to argue that growth creates economic value only when the resources supporting expansion generate commensurate returns. The study employs a balanced panel of 60 firm-year observations from five consumer goods firms listed on the Nigerian Exchange Group - Nestlé Nigeria Plc, Nigerian Breweries Plc, Unilever Nigeria Plc, Dangote Sugar Refinery Plc, and Cadbury Nigeria Plc., covering 2014–2025. Descriptive statistics, Pearson correlation analysis, variance inflation factor diagnostics, panel unit root tests, and pooled OLS, fixed-effects, and random-effects estimations are employed. The Hausman test favours the fixed-effects model ($\chi^2 = 9.8894$, $p = 0.0195$). Given evidence of groupwise heteroscedasticity and cross-sectional dependence, inference is based on fixed-effects estimation with Driscoll–Kraay standard errors. The findings reveal an uneven growth–performance relationship. Turnover has a positive but statistically insignificant effect on ROA ($\beta = 0.0000107$, $p = 0.9859$), suggesting that revenue expansion alone does not automatically generate higher returns. Equity, by contrast, has a positive and highly significant effect on profitability ($\beta = 0.0051$, $p = 0.0000$), while total assets have a negative and significant effect ($\beta = -0.0008$, $p = 0.0090$). The model explains approximately 76% of within-firm variation in profitability. The study's central contribution is the demonstration that growth is not economically homogeneous: internally supported equity expansion appears more capable of generating profitability than asset accumulation, while turnover growth without corresponding efficiency gains may remain financially neutral. The study consequently argues for a shift from pursuing growth for its own sake toward profitability-oriented growth, emphasising stronger equity foundations, disciplined asset utilisation, and efficiency-driven revenue expansion as pathways for converting corporate growth into sustainable financial performance.

Keywords: firm growth, turnover, equity, total assets, return on assets, consumer goods firms, Nigeria, panel data.

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Introduction

Firm growth is one of the most persistently studied phenomena in corporate finance, not because growth is inherently valuable, but because it is widely and not always correctly assumed to be a proxy for improving financial performance. In the Nigerian consumer goods sector, a subsector of the manufacturing economy that produces the food, beverages, household items, and personal care products consumed daily by Nigerian households, firms have pursued growth along several fronts over the past decade: expanding revenue through new products and distribution channels, raising additional equity capital, and enlarging their asset base through investment in plant, machinery, and working capital (Akininnyi, 2025). Whether these three forms of expansion, turnover growth, equity growth, and asset growth, have actually translated into stronger profitability is an empirical question rather than a foregone conclusion, and it is this question that motivates the present article.

The Nigerian operating environment complicates the relationship between growth and performance (Akinleye & Adesina, 2024). Consumer goods firms have had to contend with double-digit inflation, a depreciating and, at times, multiply-priced exchange rate, rising energy and logistics costs, and a household sector whose purchasing power has been squeezed by the removal of fuel subsidies and other macroeconomic adjustments. Under such conditions, a firm can grow its naira-denominated turnover, equity, and asset base purely as a consequence of inflation and currency effects, without any corresponding improvement in the efficiency with which it converts resources into profit. Firm growth, in other words, can be nominal rather than real, and its profitability consequences cannot simply be assumed.

Prior research on firm characteristics and profitability in Nigeria has tended to bundle multiple constructs - liquidity, leverage, firm age, firm size, into a single model, making it difficult to isolate the specific contribution of the growth indicators that managers and investors most directly observe: how much a firm sold (turnover), how much shareholders' capital it has accumulated (equity), and how large its resource base has become (total assets). This article isolates precisely these three indicators and examines their individual and joint effect on return on assets, a widely used accounting-based measure of how efficiently a firm's total resources are converted into earnings.

Statement of the Problem

Consumer goods firms in Nigeria are expected, in principle, to translate business expansion into stable and rising profitability: growth indicators should move together with profitability if resources are being efficiently deployed. In practice, however, many of these firms report growing turnover, equity and total assets alongside profit margins that are inconsistent, stagnant or declining. This apparent disconnect between the scale of a firm's operations and the returns it generates from that scale constitutes the central problem addressed in this article. If left unexamined, the persistence of this disconnect carries consequences beyond the firms themselves: eroding investor confidence, weakening share performance, and cumulatively reducing the contribution of the consumer goods sector to industrial output and employment in Nigeria.

Objectives of the Study

The article pursues three specific objectives:

- i. To examine the effect of turnover on the return on assets of listed consumer goods firms in Nigeria.
- ii. To determine the effect of equity on the return on assets of listed consumer goods firms in Nigeria.
- iii. To assess the effect of total assets on the return on assets of listed consumer goods firms in Nigeria.

Research Questions

- i. What effect does turnover have on the return on assets of listed consumer goods firms in Nigeria?
- ii. To what extent does equity influence the return on assets of listed consumer goods firms in Nigeria?
- iii. What impact do total assets have on the return on assets of listed consumer goods firms in Nigeria?

Hypotheses

- i. H₀₁: Turnover has no significant effect on the return on assets of listed consumer goods firms in Nigeria.
- ii. H₀₂: Equity has no significant effect on the return on assets of listed consumer goods firms in Nigeria.
- iii. H₀₃: Total assets have no significant effect on the return on assets of listed consumer goods firms in Nigeria.

Significance of the Study

This article is of value to several groups.

- i. **Investors and shareholders:** It clarifies whether the growth signals that firms report in their annual reports - rising turnover, expanding equity, a larger asset base, are reliable indicators of improving returns, or whether they can mask deteriorating efficiency.
- ii. **Corporate managers:** It offers evidence on which growth lever (revenue expansion, capital raising, or asset accumulation) is most closely associated with profitability, informing strategic capital allocation decisions.
- iii. **Regulators and Policymakers:** For regulators and policymakers within the Nigerian Exchange Group and the broader financial system, the findings contribute empirical grounding for assessing the health of the manufacturing sector beyond headline growth figures.
- iv. **Academic Community:** The article extends the literature on firm growth and profitability by isolating three specific, commonly disclosed growth indicators within a rigorous panel-data framework that explicitly tests and corrects for heteroscedasticity, serial correlation, and cross-sectional dependence issues that many prior Nigerian studies do not formally address.

Scope of the Study

The article covers five listed consumer goods firms on the Nigerian Exchange Group: Nestlé Nigeria Plc, Nigerian Breweries Plc, Unilever Nigeria Plc, Dangote Sugar Refinery Plc and Cadbury Nigeria Plc, selected on the basis of the completeness and consistency of their audited financial statements. The study period spans 2014 to 2025, a twelve-year window chosen to capture more than one macroeconomic cycle, including periods of recession, currency devaluation, and post-pandemic recovery. The growth indicators examined are turnover, equity, and total assets, while return on assets is used as the sole measure of profitability.

Review of Related Literature

Conceptual Review

Firm Growth and Growth Indicators

Firm growth refers to the expansion of a company's scale of operation, typically observed through increases in sales, assets, employment, or market capitalisation over time. As a construct, growth is multidimensional: a firm may grow organically through internally generated sales and reinvested earnings, or inorganically through mergers, acquisitions, or external financing. Growth indicators are the measurable proxies through which this expansion is tracked, and in the accounting and finance literature the most commonly used indicators are sales or turnover growth, asset growth, and changes in the equity base (Ozele & Agbo, 2023). These indicators are attractive to

researchers and practitioners alike because they are directly observable from published financial statements, in contrast to more qualitative notions of growth such as market share gains or innovation capacity.

Turnover as a Growth Indicator

Turnover is the total revenue a firm generates from the sale of goods and services within a financial period. It is perhaps the most intuitive growth indicator, since it reflects the market's willingness to purchase a firm's output (Hasanudin, 2021). A rising turnover trend is generally read as a sign of successful market penetration, effective pricing, or expanding demand. However, turnover growth says nothing, on its own, about cost behaviour: revenue can rise while costs rise proportionately or more than proportionately, leaving profitability unchanged or impaired. This distinction between top-line growth and bottom-line performance is central to the analysis undertaken in this article.

Equity as a Growth Indicator

Equity represents the residual claim of shareholders on a firm's assets after all liabilities have been settled, and its growth over time, through retained earnings, rights issues, or capital injections - reflects the accumulation of owner-contributed and internally generated capital (Sausan et al., 2020). A growing equity base is generally viewed favourably because it signals financial strength, reduces reliance on external debt, and provides a buffer against financial distress. Within the pecking-order tradition of capital structure theory, firms are understood to prefer internally generated funds over external debt, making equity growth an indicator of a firm's capacity to fund its own expansion without incurring the fixed obligations and distress costs associated with borrowing.

Total Assets as a Growth Indicator

Total assets capture the full stock of economic resources, current and non-current, tangible and intangible that a firm controls at a point in time (Akininnyi, 2025). Growth in total assets is often used as a straightforward proxy for firm size and is associated in some strands of the literature with economies of scale and improved access to financing. However, an expanding asset base is not costless: assets must be financed, maintained, and, crucially, utilised productively if they are to generate a return commensurate with their book value. Where asset growth outpaces the firm's capacity to generate revenue and profit from those assets, returns on assets can decline even as the nominal size of the firm increases.

Return on Assets

Return on assets (ROA), calculated as net income divided by total assets, is the profitability measure adopted in this article because it directly captures the efficiency with which a firm converts its total resource base rather than only its equity base, as in return on equity into earnings. Because ROA embeds total assets in its own denominator, it is particularly well suited to testing whether asset growth is being converted into proportionate profit growth, or whether it is instead diluting the returns generated per unit of resource employed.

Theoretical Framework

Sustainable Growth Theory

This article is anchored on Sustainable Growth Theory, developed by Higgins (1977), which specifies the maximum rate at which a firm can grow its sales and assets using internally generated funds while holding its financial policies - dividend payout, profit margin, asset turnover and financial leverage constant. The theory's central insight is that

growth which outpaces a firm's sustainable rate must be financed externally, typically through debt, which raises financial risk, or through additional equity issuance, which dilutes existing shareholders. Applied to the consumer goods firms examined here, Sustainable Growth Theory implies that turnover, equity, and asset growth should translate into improved profitability only when that growth remains within the bounds of what the firm can support from its own resources and operating efficiency; growth pursued beyond this threshold risks becoming profitability-dilutive, which is precisely the pattern this article investigates empirically for total assets.

Resource-Based Theory

The article draws additionally on Resource-Based Theory (Wernerfelt, 1984; Barney, 1991), which holds that a firm's competitive advantage and superior performance stem from its possession and effective deployment of valuable, rare, inimitable, and non-substitutable resources. Within this framework, turnover, equity, and total assets are not valuable in themselves, but only insofar as they represent, or enable the deployment of, resources that competitors cannot easily replicate. This theoretical lens supports the article's expectation that the relationship between growth indicators and profitability is conditional on the efficiency of resource deployment rather than being a mechanical function of scale.

Empirical Review

A substantial body of empirical work has examined the relationship between turnover-related indicators and return on assets. Hasanudin (2021), studying Indonesian fast-moving consumer goods firms, found that inventory turnover positively affects ROA while sales growth itself has a negligible direct effect. Similarly, Akinleye and Adesina (2024), analysing twenty-eight Nigerian listed manufacturing firms, established that efficient inventory conversion cycles significantly boost profitability, while broader sales expansion metrics play a secondary role. Nurlaela et al. (2019), working with Indonesian consumption-sector firms, reported that total asset turnover exerts a significant positive effect on ROA, whereas Warrad and Al Omari (2015), studying Jordanian services firms, found no significant relationship between turnover ratios and either ROA or ROE, attributing this to a decoupling of cost of sales from revenue growth. This body of evidence suggests that the profitability consequences of turnover growth are contingent on how efficiently the underlying assets generating that turnover are managed, rather than being automatic.

On equity, Susilawati et al. (2022) found that a higher debt-to-equity ratio significantly depresses ROA among Indonesian pharmaceutical firms, an inverse finding consistent with the proposition that greater reliance on equity, relative to debt, supports profitability. Petersen and Schoeman (2008) modelled banking profitability using both ROA and ROE and distinguished ROA as a measure of operational efficiency from ROE as an indicator of returns to equity holders, underscoring that a stronger equity base changes the risk-return profile of a firm's earnings. Kumalasari and Pratikto (2018) found that governance practices that strengthen firms' equity-based profitability, measured jointly through ROE and ROA, subsequently raise overall corporate value, reinforcing the view that equity strength is not merely a balance-sheet outcome but a driver of financial performance.

On total assets, Vatavu (2015), examining 199 firms listed on the Bucharest Stock Exchange, found that asset turnover and firm size are significant drivers of ROA, while leverage is frequently negatively correlated with it. Alvi

and Ikram (2015), studying Pakistani SMEs, found that total assets have a significant positive effect on return on equity, suggesting economies of scale can benefit smaller firms differently than larger, more asset-heavy ones. By contrast, evidence more directly comparable to the Nigerian consumer goods context — where firms of markedly different scale coexist within the same sector — points to the possibility that asset growth beyond a certain threshold generates diminishing, or even negative, marginal returns, a pattern this article tests directly.

Gap in Literature

While the reviewed studies establish that turnover, equity, and total assets each bear some relationship with profitability, few studies isolate all three indicators simultaneously within a single, rigorously specified panel model for Nigerian consumer goods firms, and fewer still formally test and correct for the heteroscedasticity, serial correlation, and cross-sectional dependence that are likely to characterise a panel of firms operating in the same volatile macroeconomic environment. This article addresses that gap.

Methodology

Research Design

The article adopts an *ex-post facto* research design, appropriate for examining the effect of pre-existing financial variables on firm performance without any manipulation of the underlying data. The design relies on historical financial information from selected Nigerian consumer goods firms over 2014–2025.

Population and Sample

The population comprises all consumer goods firms listed on the Nigerian Exchange Group during the review period. A purposive sampling technique is used to select five firms with complete and consistent financial data for the full twelve-year period: Nestlé Nigeria Plc, Nigerian Breweries Plc, Unilever Nigeria Plc, Dangote Sugar Refinery Plc, and Cadbury Nigeria Plc. The resulting panel is strongly balanced, comprising five cross-sectional units observed over twelve years, for sixty firm-year observations.

Sources and Nature of Data

The article relies exclusively on secondary data extracted from the audited annual financial statements of the sampled firms, covering turnover, equity, total assets and return on assets for each firm-year.

Model Specification

The model estimated is:

$$ROA_{it} = \beta_0 + \beta_1 TO_{it} + \beta_2 EQ_{it} + \beta_3 TA_{it} + c_i + \varepsilon_{it}$$

Where:

ROA_{it} = return on assets for firm i in year t ,

TO_{it} = turnover,

EQ_{it} = equity,

TA_{it} = total assets,

c_i = the unobserved firm-specific effect, and

ε_{it} = the idiosyncratic error term.

The firm-specific effect is treated alternately as fixed and random, with the Hausman test used to select between the two, and standard errors are corrected for heteroscedasticity, serial correlation and cross-sectional dependence where diagnostic tests indicate this is necessary.

Method of Analysis

Descriptive statistics, a Pearson correlation matrix and variance inflation factor diagnostics are computed first. Four panel unit root tests: Levin-Lin-Chu (LLC), Im-Pesaran-Shin (IPS), Fisher-ADF and Fisher-PP are then applied at level and, where required, at first difference. Pooled OLS, fixed effects and random effects models are estimated and compared via the Hausman test, and the residuals of the selected model are subjected to the Modified Wald test for groupwise heteroscedasticity, the Wooldridge test for serial correlation, and the Pesaran CD test for cross-sectional dependence. Where these tests indicate violations of the classical assumptions, Driscoll-Kraay standard errors are used for final inference.

Results and Discussion

Descriptive Statistics

Table 1: Descriptive Statistics

Statistic	TO	EQ	TA	ROA
Mean	119.2383	47.7867	196.5483	0.0902
Median	110.7500	44.6500	186.1500	0.0900
Maximum	238.4000	92.1000	355.6000	0.1600
Minimum	58.7000	24.8000	105.3000	0.0300
Std. Dev.	39.7592	15.1662	58.1403	0.0295
Skewness	0.7927	0.7346	0.6066	0.0154
Kurtosis	3.3367	3.2024	2.8561	2.5430
Jarque-Bera	6.5676	5.4987	3.7310	0.5244
Probability	0.0375	0.0640	0.1548	0.7694
Observations	60	60	60	60

Source: Author's computation, 2026.

On average, the sampled firms recorded turnover of ₦119.24 billion, equity of ₦47.79 billion, and total assets of ₦196.55 billion, generating an average return on assets of 9.02 percent over the study period. The standard deviations relative to the means indicate substantial heterogeneity in scale across the panel, reflecting the coexistence of large, multinational-affiliated firms such as Nestlé Nigeria Plc and comparatively smaller domestic firms such as Cadbury Nigeria Plc. All three balance-sheet variables display moderate positive skewness, while ROA is close to symmetric, and the Jarque-Bera test rejects normality only for turnover, a departure that does not preclude panel estimation given the reliance of panel estimators on the cross-sectional and time-series dimensions of the data rather than strict normality.

Correlation and Multicollinearity

Table 2: Pearson Correlation Matrix

	ROA	TO	EQ	TA
ROA	1.0000	0.8555	0.8650	0.7895
TO	0.8555	1.0000	0.9971	0.9788
EQ	0.8650	0.9971	1.0000	0.9771
TA	0.7895	0.9788	0.9771	1.0000

Table 3: Variance Inflation Factor

Variable	VIF	Tolerance
TO	188.69	0.0053
EQ	174.60	0.0057
TA	23.98	0.0417
Mean VIF	129.09	—

Source: Author's computation, 2026.

Return on assets correlates strongly and positively with all three growth indicators at the bivariate level, but the explanatory variables are themselves extremely highly correlated with one another ($r = 0.9971$ for turnover and equity, in particular), and the variance inflation factors confirm severe multicollinearity, with turnover recording the highest VIF (188.69). This does not bias the coefficient estimates but inflates their standard errors and warrants caution in interpreting the individual coefficient on turnover, whose independent contribution is difficult to isolate from that of equity. Because the fixed effects estimator draws on within-firm variation rather than the cross-sectional variation that produces this collinearity, its practical impact on the equity and total assets coefficients is comparatively contained, as shown below.

Panel Unit Root Tests

Across the four unit root tests applied at level and first difference, the weight of evidence indicates that turnover, equity, total assets and return on assets are, at worst, integrated of order one and stationary after first-differencing, while the Fisher-PP test rejects the unit root null for all four series even at level. Consistent with standard practice for short micro-panels of this kind ($N = 5$, $T = 12$), and because the theoretical model specified is expressed in levels, the regression models below are estimated in levels.

Regression Results

Table 4: Pooled OLS, Fixed Effects, and Fixed Effects with Driscoll-Kraay Standard Errors

Variable	Pooled OLS	Fixed Effects	FE (Driscoll-Kraay)
C	0.0192 (0.0108)	0.0109 (0.2079)	0.0109 (0.1892)
TO	-0.0002 (0.7258)	0.0000107 (0.9871)	0.0000107 (0.9859)
EQ	0.0045*** (0.0033)	0.0051*** (0.0049)	0.0051*** (0.0000)
TA	-0.0006*** (0.0001)	-0.0008*** (0.0000)	-0.0008*** (0.0090)
R ²	0.8171	0.7602 (within)	0.7602 (within)
F-statistic	83.4025	54.9370	316.36

*p-values in parentheses; *** significant at 1%. Source: Author's computation, 2026.*

The Hausman test rejects the random effects specification in favour of fixed effects ($\chi^2 = 9.8894$, $p = 0.0195$). Diagnostic testing on the fixed effects residuals reveals groupwise heteroscedasticity (Modified Wald $\chi^2(5) = 14.1344$, $p = 0.0148$) and cross-sectional dependence (Pesaran CD = 4.7267, $p = 0.0000$), but no serial correlation (Wooldridge $F(1,4) = 0.2810$, $p = 0.5985$). The fixed effects model is therefore re-estimated with Driscoll-Kraay standard errors, which materially sharpen the precision of the equity coefficient in particular (t rising from 2.9396 to 12.8550), without altering any of the point estimates.

Test of Hypotheses

- i. With $p = 0.9859$ on the turnover coefficient, H_{01} is accepted: turnover has no statistically significant effect on ROA.
- ii. With $p = 0.0000$ on the equity coefficient, H_{02} is rejected: equity has a significant positive effect on ROA.
- iii. With $p = 0.0090$ on the total assets coefficient, H_{03} is rejected: total assets have a significant negative effect on ROA.

Discussion

The finding on turnover - a positive but statistically insignificant coefficient indicates that, for these firms, revenue growth alone does not translate into materially improved profitability once firm-specific heterogeneity and the shared variation between turnover and equity are properly accounted for. This is broadly consistent with Hasanudin (2021) and Warrad and Al Omari (2015), both of which found that top-line growth metrics exert little independent effect on ROA once operational and financing variables are controlled for, and it lends support to the Sustainable Growth Theory proposition that revenue expansion must be matched by cost discipline and efficient resource deployment to yield profitability gains.

The strongly significant, positive coefficient on equity is consistent with both Sustainable Growth Theory and the broader pecking-order tradition: firms that build up their capital base through retained earnings and owner-contributed funds, rather than relying on debt, appear better positioned to convert their resources into returns, echoing Susilawati et al. (2022) and Kumalasari and Pratikto (2018). Within the sample, Nestlé Nigeria Plc and Nigerian Breweries Plc - the firms with the highest average equity, also recorded the highest average returns on assets, illustrating this pattern directly.

The negative and significant coefficient on total assets suggests that asset growth among these firms has, on average, outpaced the growth in their capacity to generate profit from those assets, precisely the scenario that Sustainable Growth Theory identifies as unsustainable growth, and consistent with the diminishing-returns pattern documented in parts of the empirical literature. This points to inefficient capacity utilisation or the presence of underperforming or idle assets within the sampled firms' balance sheets.

Conclusion and Recommendations

Conclusion

This article concludes that firm growth, measured through turnover, equity and total assets, does not have a uniform effect on the profitability of listed Nigerian consumer goods firms. Equity growth is the one form of expansion that reliably and significantly strengthens profitability; total assets growth, in contrast, is significantly associated with declining profitability, while turnover growth shows no statistically discernible effect once the other two indicators are controlled for. Firm growth is therefore not, by itself, a guarantee of improved financial performance: what matters is the manner in which growth is financed and the efficiency with which the resulting resources are deployed.

Recommendations

- i. Consumer goods firms should not treat turnover growth as a self-sufficient profitability strategy; revenue expansion should be paired with deliberate cost-control and margin-management measures.
- ii. Firms should prioritise strengthening their equity base through retained earnings and prudent capital management, given its demonstrated positive effect on profitability.
- iii. Management should periodically review the composition of the asset base, disposing of idle or underperforming assets and linking new asset acquisition directly to demonstrable revenue-generating capacity.
- iv. Analysts and regulators should interpret single growth indicators with caution given the high collinearity between turnover, equity and total assets documented in this article, and should instead assess the joint financing and deployment structure of firms.

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