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Effect of Asset Growth on Financial Performance of Manufacturing Firms in Nigeria

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Abstract

The optimization of investment in assets in order to achieve a satisfactory return on asset and return on equity is a major problem being suspected by the researcher in the manufacturing industry in Nigeria. This study is to examine the effect of asset growth and financial performance of manufacturing firms in Nigeria.Thirty-two (32) manufacturing firms were selected from Nigeria Exchange Group (NGX), and secondary data was collected from the firms for a ten-year period (2013 – 2022). The data were analyzed using Descriptive analysis and robust PanelRegression analysis for correcting multicollinearity and heteroscedasticity. Non-current assets growth, current assets growth, net assets growth, and total asset growth were used as proxies for asset growth (independent variables), while return on assets (ROA) and return on equity (ROE) were used as proxies for financial performance (dependent variable). The result shows that the non-current assets growth rate and current asset growth have a significant negative effect on the ROA of manufacturing firms in Nigeria. However, the outcome is insignificant when financial performance is proxied as ROE. Findings also show that total asset growth has an insignificant effect on ROA and ROE. On the other hand, findings revealed that while net asset growth is insignificant to ROA, the outcome is significant and negative to ROE.The study concludes that increasing non-current, current assets, and net current asset growth can strain financial resources, leading to diminished performance in manufacturing firms. Based on this, the study recommends that Manufacturing firms should strive for a balanced approach to non-current asset growth, considering both short-term financial implications and long-term strategic objectives.

Keywords: Asset growth, current asset growth, non-current asset growth, net asset growth, ROA, ROE

1 Introduction

The going concern position of firms like fast-moving manufacturing firms is related to their capability to plan and manage their assets. Acquisition of assets by firms is not an end, but a means to an end, as they are required tools for a firm's operational efficiency and value creation. Manufacturing firms tend to grow their assets by placing additional assets to the existing ones, thereby increasing the number of assets, and embracing new technologies for edging against the competition to improve the future cash flow of benefits to the organization,Oliver et al. (2017). The manufacturing sector plays a pivotal role in driving economic growth, innovation, and employment opportunities worldwide. As such, the financial health and performance of manufacturing firms are critical indicators of broader economic prosperity.

Financial performance, on the other hand, encompasses various metrics, including profitability (e.g., return on assets, return on equity), liquidity ratios, and solvency indicators. These metrics provide insights into a firm's ability to generate profits, manage cash flows, and meet financial obligations. Asset growth is an increase in the value of assets held by an individual, organization, or firm over a specific period. Assets can include tangible assets such as real estate, equipment, and inventory, as well as intangible assets such as intellectual property and brand recognition. It is the development in size, wealth, or importance of an entity's assets. The asset growth rate shows how quickly a company has grown its Assets. It is calculated as a percentage change in assets over a given period. The value of assets is the worth or monetary value of the assets held by an individual, organization, or firm. This can include current assets such as cash, accounts receivable, inventory, prepaid expenses, and non-current assets such as intangible assets (Financial Industry Regulatory, 2021).

In the Nigerian manufacturing industry, firms operate within a highly competitive and dynamic environment, where the pressure to expand operations and achieve optimal financial performance is incessant. However, effectively utilizing various asset categories to attain satisfactory returns on equity (ROE) and returns on assets (ROA) presents a significant challenge.

The problem stems from the suboptimal management of key assets, including current assets, non-current assets, total assets, and net assets, which impact the financial performance of manufacturing firms. Despite investments in assets, the returns on equity and assets fail to meet expectations, hindering overall productivity and growth. This inefficiency in asset management contributes to inadequate production levels, leading to market scarcity and, consequently, reliance on imports, exacerbating capital flight issues.

Existing studies have explored aspects of asset management and financial performance in different sectors and regions. A previous study by Anuar et al., (2021) was conducted on the impact of non-current assets on the performance of firms in the Malaysian construction sector. Olonite et al., (2021) study also focused on asset structure on financial performance of quoted construction firms in Nigeria. Another study by Marian et al. (2022) was on the impact of tangible non-current assets and the financial performance of food manufacturing firms in Nigeria without taking into consideration all types of assets and all the manufacturing sectors. However, there is a gap in research comprehensively examining the relationship between asset growth and financial performance across all manufacturing sectors in Nigeria, specifically considering current assets, non-current assets, total assets, net assets, return on equity, and return on assets.

Nigeria's manufacturing sector has the potential to drive economic transformation and reduce reliance on oil revenues. By examining the patterns and determinants of asset growth in manufacturing firms, policymakers can formulate targeted interventions to foster sustainable industrial development. In addition, in a globalized marketplace, Nigerian manufacturing firms face intense competition both domestically and internationally. Understanding the drivers of asset growth can provide insights into enhancing competitiveness, improving productivity, and capturing market share in key sectors.

While there has been considerable attention given to the performance and growth of Nigerian manufacturing firms, there remains a gap in understanding the specific factors influencing asset growth within this sector. Existing literature (Nwankwo, 2017; Salami & Isikalu, 2019; Falola & Salami, 2019) often focuses on broad economic indicators or general firm performance metrics but fails to delve deeply into the dynamics of asset growth and its determinants within the context of Nigerian manufacturing firms.

Hence, this study aims to address this gap by investigating the intricate relationship between asset growth and financial performance in Nigerian manufacturing firms, with a focus on current assets, non-current assets, total assets, net assets, return on equity, and return on assets. By identifying the factors influencing asset optimization and their impact on financial metrics, this research seeks to provide valuable insights for enhancing the efficiency and profitability of manufacturing firms in Nigeria.

Hypotheses of the Study

The hypotheses will be formulated in null form as follows:

H_{01}: Non-current assets growth has no significant effect on the financial performance of listed manufacturing firms in Nigeria.

H_{02}: Current assets growth has no significant effect on the financial performance of listed manufacturing firms in Nigeria.

H_{03}: Total asset has no significant effect on the financial performance of listed manufacturing firms in Nigeria.

H_{04}: Net asset growth has no significant effect on the financial performance of listed manufacturing firms in Nigeria.

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

2 Literature and Theoretical Review

This study is underpinned by the agency theory propounded by Jensen and Mechling (1976). Agency theory suggests that the relationship between asset growth and financial performance can be understood through

the lens of agency conflicts between different stakeholders within a firm, particularly between shareholders and managers. According to Jensen and Mechling (1976), the theory posits that managers acting as agents for shareholders may pursue their self-interests rather than maximizing shareholder wealth. Thus, asset growth can affect financial performance in several ways within this framework. Managers may be incentivized to pursue asset growth to expand their power, prestige, or compensation, even if such growth does not lead to improved financial performance. This opportunistic behavior can result in investments in projects that do not generate adequate returns, ultimately harming financial performance.

Asset Growth

Asset growth refers to the increase in the total value of a firm's assets over a specific period. It is a measure of the firm's ability to acquire and manage assets effectively, which can contribute to its growth and overall financial performance. According to Jajang et al. (2019), assets are resources that provide future economic benefits for the firm. Assets are used for the operational activities of the firm. An increase in assets is followed by an increase in the result obtained, which will increase the trust of the interested parties in the firm. In this study, asset growth is proxied as non-current asset growth, current asset growth, total asset growth, and net asset growth.

According to Aseinimieyeofori et al. (2022), financial performance is defined as a subjective measure of how well a firm can use its assets from its primary mode of business and generate revenue. The term is also used as a general measure of a firm's overall financial health over a given period. The financial performance of a firm depends upon various factors that directly or indirectly adhere to profitability.Akparhuere et al. (2019) stated that financial performance refers to the standard measurement of how a particular issue is handled or does something successfully using knowledge, treated differently from just possessing it. Badingatus et al. (2020) argued that the use of financial performance could still be justified. This study proxies financial performance as return on asset (ROA) and return on equity (ROE).

Non-current assets Growth and Financial Performance

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

Certain non-current assets, such as machinery, equipment, or infrastructure, directly contribute to revenue generation by enabling production or service delivery. Growth in these assets can lead to increased output or capacity, allowing the firm to capture additional market share or serve more customers, thereby boosting revenue and profitability. This claim has been supported empirically by Enekwe et al. (2023), who examined the effect of non-current assets on the financial performance of manufacturing firms in Nigeria. The

regression result revealed that non-current assets have a positive significant effect on the return on assets of listed consumer goods firms. Similarly, Egwu et al. (2023) examined the investment in non-current assets and the performance of quoted manufacturing firms in Nigeria. Investment in intangible non-current assets also has a positive and significant effect on the return on assets.

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

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

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

Current Asset Growth and Financial Performance

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

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

Ullah and Ahmed (2019) investigated the impact of current and non-current assets on the profitability of pharmaceutical firms in Pakistan using 9 years of data which was obtained from six pharmaceutical firms listed on the Karachi Stock Exchange from 2010 to 2018. The study findings revealed that investment in current assets has a positive impact and a significant relationship with the return on assets of

pharmaceutical firms in Pakistan. Similarly, Baafi et al. (2020) examined the effect of the current ratio, quick ratio, and cash ratio on the return as assets, return on equity, and return on capital employed of firms in Ghana. Data extracted from the audited and published annual reports of twenty-one (21) firms for the period 2008 to 2019 was analysed using ANCOVA, which revealed that liquidity positively affects return on assets but does not affect ROE.

Total Asset Growth and Financial Performance

Ross et al. (2017) defined total asset growth as the percentage increase in the total assets of a firm over a specific period, typically measured annually or quarterly. Total assets include allofa firm's resources, both tangible and intangible, such as cash, inventory, property, plant, equipment, and investments. Total asset growth is an important financial metric that indicates the expansion or contraction of a firm's asset base over time.Brealey et al. (2017) assert that total asset growth is commonly used by investors, analysts, and managers to assess a firm's ability to expand its operations, invest in new projects, and generate future revenue. It can also provide insights into a firm's financial health, efficiency, and long-term sustainability.Total asset financing facilities, according to Rahman (2014), provide great flexibility because the firm does not have to go through the entire underwriting process again. This benefit is particularly important for firms that are rapidly growing and require additional funding, such as insurance firms. This means that lenders are more likely to have physical assets as a guarantee that at least a portion of the money borrowed can be recouped. As pledged securities whose value fluctuates with the market are frequently employed for this reason, margin loans are particularly sensitive to the underlying value of collaterals. As a result, a firm's total assets typically include valuation and tangible, hard assets such as property, equipment, plant, and inventory (Rahman, 2014).

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

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

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

Net Assets Growth and Financial Performance

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

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

3 Research Methodology

This study adopts an ex post facto research design. The population of the study is 34 listed manufacturing firms on the Nigerian Exchange Group (NGX),while32 firms were selected based on data availability. The data were extracted from the annual report of the sampled firm spanning from 2013 to 2022 (10 years).

Model Specification and Measurement of Variables

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

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

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

Table 1: Variable measurement

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

Source: Authors computation (2024)

4 Data analysis and discussion

Descriptive Analysis

The descriptive statistics show the structure of each variable in this study. The results of descriptive analysis for these variables employed are presented in Table2.

Table 2: Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
ROA	.0813084	.531641	-4.57079	6.174312
ROE	.1520692	1.625706	-15.7224	19.33906
NCAG	4.088704	68.86329	-1	1231.893
CAG	4.207201	68.85895	-.99907	1231.893
TAG	3.200925	53.07406	-.999009	949.3859
NAG	-1.170533	21.303	-309.783	60.12687

Source: Stata output (2024)

The table 2 above is the descriptive statistics of the variables. Notably, ROA and ROE exhibit mean values of 8.1% and 15.2%, respectively, indicating positive average returns. However, the deviation from the average is 53.16% and 16.25%. This indicates that the manufacturing sector is highly volatile. The average non-current assets growth (NCAG) shows an average value of 4.08 billion Naira with a deviation of 68.86 billion Naira. This is similar to current asset growth (CAG), which has an average of 4.20 billion Naira with a deviation of 68.85 billion Naira. The average value of total asset growth is 3.2 trillion Naira, with a deviation of 53 billion Naira. This implies that the growth rate of these asset classes is positive. In contrast, the average value of net asset growth is -1.1 trillion Naira. This implies that the manufacturing firms are operating at a loss.

Correlation Matrix

Table 3: Correlation Matrix

	ROA	ROE	NCAG	CAG	TAG	NAG
ROA	1					
ROE	0.1565	1				
NCAG	-0.0101	0.0009	1			
CAG	-0.0088	0.0008		1		
TAG	-0.0095	0.0010			1	
NAG	0.0207	0.0016				1

Source: Stata output (2024)

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

Diagnostic Tests

Multicollinearity Test

Table 4: Multicollinearity Test

Variable	VIF	1/VIF
CAG	12419.86	0.000081
NCAG	10980.82	0.000091
TAG	1413.55	0.000707
NAG	2.94	0.339997
MEAN VIF	6204.29	

Source: Stata output (2024)

Table 4 above provides the result of the multicollinearity test. The study carried out variance inflation factor (VIF) and tolerance value (TV) to ascertain the existence of multicollinearity, as pointed out in Table 4. The result shows that the mean of the mean VIF was 6204.29, which is higher than the threshold of 10. The VIF for individual variables such as current asset growth, non-current asset growth, and total asset growth are high. This points to the factthat the explanatory variables included in the model were correlated, indicating the presence of multicollinearity between the variables. Hence, a robust tool for analysis (panel regression accounting for autocorrelation and heteroscedasticity in the data) was adopted to correct the correlation in the variables.

Heteroscedasticity Test

The study carries out a test for the existence of heteroscedasticity using the Breusch – pagan / Cook–Weisberg test for the homoscedasticity assumption of the OLS regression. Homoscedasticity assumes a

constant variance of the residuals. The decision rule is that if the P- P-value is significant at 10%, there is sufficient proof to reject the null hypothesis. The result of the test is presented below.

Table 5:Heteroscedasticity Test

	Chi2 (1)	Prob> Chi2
ROA	11.46	0.0007
ROE	3.42	0.064

Source: Stata output (2024)

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

Test of Hypotheses

The procedure for testing the hypotheses involves estimating the panel model using panel regression. The high multicollinearity among the independent variable influenced the decision the adopt a more robust technique using the 'xtregar' command to estimate panel data with random effects and autocorrelations in the error term.

Table 6: Robust Panel Regression

	ROA				ROE			
	Coef.	Standard Error	Z	p>|z|	Coef.	Standard Error	Z	p>|z|
NCAG	-.1470569	.0453856	-3.24	0.001	.0071645	.1259315	0.06	0.955
CAG	.1477062	.048059	3.07	0.002	-.032119	.1333049	-0.24	0.810
TAG	-.000835	.0213263	-0.04	0.969	.0277419	.0590411	0.47	0.638
NAG	.0646762	.0410766	1.57	0.115	-.014103	.0067425	-2.09	0.036
R^2 = 16.9					R^2 = 14.2			

Source: Stata output (2024)

Table 6is the coefficient of determination (R^2), which explains that 16.9% of the variations in the ROA of listed manufacturing firms can be explained by asset growth proxied as non-current assets, current assets growth, net assets growth, and total asset growth. On the other hand, the R^2 is 14.2 when financial performance is proxied as ROE. According to Greene (2012), if data exhibits high levels of heterogeneity, it can be difficult to achieve a high R^2. Lower R^2 values are often acceptable in hypothesis-testing research, where the primary goal is to identify potential relationships or patterns rather than to predict outcomes precisely. In such cases, even modest levels of explanatory power can provide valuable insights for further investigation (Gelman & Loken, 2013).

The panel regression results in Table 6 show that non-current asset growth has a significant negative effect on ROA at a 5% significant level. Therefore, the null hypothesis, which states that non-current asset growth has no significant effect on financial performance, is rejected, and the alternate hypothesis is accepted. The finding implies that a unit increase in non-current asset growth results in a decrease in ROA by 14.7%. In contrast, when financial performance is proxied with ROE, the result is positive but insignificant. Hence, the null hypothesis is accepted. The results obtained from Panel Data Table 6 indicate that the first hypothesis, focusing on the effect of the non-current assets growth on ROA, is statistically significant and negative. While it is insignificant with ROE. This study implies that non-current asset growth may signal expansion and investment in future growth opportunities, excessive or inefficient growth can negatively impact financial performance. Rapid expansion of non-current assets can strain liquidity, increase financing costs, and reduce profitability. It may also indicate misallocation of resources or overinvestment in assets that do not generate sufficient returns. Brigham and Houston (2018) assert that excessive non-current asset growth can strain a firm's liquidity position by tying up capital in long-term assets, thereby limiting its ability to meet short-term obligations. Moreover, increased debt levels to finance asset growth may raise concerns about solvency and financial stability. In contrast, Saka's (2021) study found that intangible assets had an insignificant impact on performance. Other studies, such as Nangih and Emeka (2021) and Nangih et al. (2020), also support the notion that non-current assets have an insignificant effect on return on assets.

The second hypothesis, which states that current asset growth does not significantly affect ROA, is rejected at a 5% significant level. Hence, the alternate hypothesis is accepted, which states that current asset growth has a significant effect on ROA. Implying that an increase in current asset growth results in an increase in ROA by 14.7%. On the other hand, when financial performance is proxied using ROE, the result is insignificant. Similarly, the second hypothesis, which examines the effect of current assets growth rate on financial performance, suggests that the null hypothesis is rejected. The study implies that current asset growth has a significant positive effect on financial performance when measured by ROA but is insignificant when measured by ROE. Current asset growth is often regarded as a vital indicator of a firm's operational efficiency, liquidity management, and growth prospects. When managed effectively, increasing current assets can enhance a firm's ability to meet short-term obligations, support revenue generation, and improve overall financial health. According to Brigham and Ehrhardt (2013), higher current asset growth rates are associated with improved liquidity positions, indicating a firm's ability to cover its short-term liabilities and operating expenses. Firms with robust liquidity positions are better equipped to weather economic downturns and capitalize on growth opportunities. Gitman and Zutter (2015) assert that the

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

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

The hypothesis, which states that net asset growth does not significantly affect financial performance, is accepted at a 5% significant level when proxies with ROA. However, the result is different when proxied with ROE. The result shows that net asset growth has a significant negative effect on ROE at a 5% significant level. Implying that a unit increase in net asset growth results in a decrease in ROE by 1.4%.The findings on net asset growth and financial performance showed an insignificant effect when proxied with ROA. However, the result is significant and negative when proxied with ROE. This finding is in line with studies by Mwaniki and Omagwa (2017) and Oliver et al. (2017), all of which highlight the substantial effect of net asset growth on financial performance. Empirical evidence such as Brealey et al. (2017) suggests that rapid net asset growth may lead to decreased profitability, as it can indicate inefficiencies in resource allocation, increased operating costs, and lower returns on investment. Firms experiencing excessive growth in net assets may struggle to generate sufficient revenue or may incur higher expenses associated with managing larger asset bases. Also, High net asset growth can strain a firm's liquidity position and increase its financial leverage, potentially leading to solvency concerns. Firms may face challenges in managing short-term obligations, servicing debt, and maintaining adequate cash reserves, which can undermine their financial stability and creditworthiness. While net asset growth can signal expansion and investment opportunities, its significant negative effect on financial performance highlights the importance of prudent asset management, strategic decision-making, and risk mitigation strategies. Firms should strive to achieve

sustainable growth while balancing the trade-offs between asset expansion, profitability, and financial stability.

5 Conclusion and Recommendation

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

i. The significant negative impact of non-current asset growth on financial performance underscores the importance of prudent asset management and strategic investment decisions within organizations. The findings suggest that a rapid increase in non-current assets can strain financial resources, leading to diminished profitability and overall performance.

ii. The observed positive relationship indicates that increases in current asset levels are often associated with investment in productive assets, expansion initiatives, or inventory buildup to support sales growth. Such strategic investments contribute to enhanced revenue generation and overall profitability in the long run.

iii. The insignificant impact of total asset growth on financial performance may indicate the presence of diminishing returns to scale or diseconomies of scale. As organizations expand their asset base, they may encounter challenges in efficiently managing and leveraging these resources, leading to suboptimal outcomes in terms of profitability and efficiency.

iv. The negative coefficient associated with net asset growth suggests that contrary to expectations, excessive or unchecked growth in assets may detrimentally affect financial performance. This finding underscores the importance of strategic asset management and allocation decisions within organizations.

5.3 Recommendations

Based on the findings presented in this study on financial performance and asset growth in Nigerian manufacturing firms, the study hereby recommends as follows.

i. Manufacturing firms should strive for a balanced approach to non-current asset growth, considering both short-term financial implications and long-term strategic objectives. By exercising discipline, foresight, and sound judgment in asset management decisions. This way businesses can optimize financial performance, enhance resilience, and create sustainable value for stakeholders in dynamic and competitive environments.

ii. The board of directors and other decision-makers should carefully assess the drivers and implications of current asset growth within the context of the organization's strategic objectives.

Balancing growth aspirations with prudent risk management is essential for sustainable financial performance.

iii. The result found an insignificant effect of total assets on financial performance. it is plausible that asset growth alone does not necessarily translate into improved financial performance. The quality of asset investments, operational efficiency, and strategic management of resources are crucial factors that determine the effectiveness of asset expansion initiatives.

iv. Management of manufacturing firms in Nigeria needs to carefully balance the benefits of asset expansion with the potential risks of overextension, such as increased operating costs, reduced efficiency, and diminished returns on investment.

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