

THE EFFECT OF NON-CURRENT ASSETS ON PROFITABILITY
OF SELECTED DEPOSIT MONEY BANKS IN NIGERIA

BY

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Declaration

I declare that this project is based on a study conducted by me, AYELA REBECCA in the Department of Accountancy, Bayelsa State Polytechnic, Aleibiri under the supervision of Dr Sunday Zibaghafa. This project report has not been submitted elsewhere for the award of a degree. The ideas and views of the research project are products of research undertaken by me. Where the ideas and views of other authors/researchers have been expressed, they have been duly acknowledged.

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Certification

The project, the effect of non-current assets in the profitability of selected deposit money banks in Nigeria, meets the regulations governing the award of National Diploma in Accounting, Department of Accountancy, Bayelsa State Polytechnic, Aleibiri.

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DEDICATION

This project is dedicated to the Almighty God.

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ABSTRACT

This study examined the effect of non-current assets in the profitability of selected deposit money banks in Nigeria using cross sectional data from 2016-2020. The study used turnover, profit after tax and return on assets as the functions of non-current assets. Using judgmental sampling method, ten deposit money banks were used as sample size. This study used quasi-experimental research approach for its data analysis. Multiple regressions with econometrics view software were used as data analyses techniques. In relation to the objective of the study, findings revealed that there is a strong, positive and significant relationship between non-current assets and the profitability of deposit money banks in Nigeria. It was therefore recommended, among others, that banks should encourage the adequate management of non-current assets to enhance speedy production that could bring about reduction in production cost and increase profitability and by extension, the financial performance of organizations.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Assets are resources a company owns as a result of past events from which future economic benefits are expected to flow to the entity. They consist of both current and non-current resources. Current assets are ones the company expects to convert to cash or use in the business within one year of the balance sheet date. Noncurrent assets are ones the company reckons it will hold for at least one year(Katja, 2009).

The sustainability of a firm heavily depends on the ability and success of its financial management function. No organization can be sustained without some investment in non-current asset. Investment in land, building, plant and machinery, fixtures, fittings and motor vehicle enhances the productive capacity of firms. Profits can be generated by investing in such assets to ensure long term profitability(Karaduman, 2011).Profitability plays a vital role within the structure and development of firm as a result of it measures the performance and success of a firm. It also enhances the reputation of a firm. Maximizing the profits of firm is one in all the most objectives of managers. The profitability of a firm is so a key concern(Karaduman, 2011).

According to Katja (2009), the main objective of a business is maximization of profit which is able to cause maximization of shareholders wealth. Examining many relationship among the assets and sales asset utilization provide picture how much corporation begin manage resources. Asset utilization is especially helpful to companies considering growth or capital Investment, if production can be increased by improving efficiency of existing resources. The objective of this research is to ascertain the relationship between levels of investment in non-current asset and profitability.

The non-current assets are about half of the total assets of the manufacturing firm and in a distribution firm. Effective organization of profitability and assets has an important impact on the

strategy of Entire Corporation so that to create the value of shareholder. A non-current asset is an asset that is not likely to turn to unrestricted cash within one year of the balance sheet date (this assumes that the company has an operating cycle of less than one year.) A non-current asset is also referred to as along-term asset. Non-current assets are generally more profitable than current assets, but they also entail more risk because they are more difficult to turn into cash and are likely to fluctuate in value more than current assets.

Noncurrent assets are reported under the following statement of financial position headings:

- i. Investments (long-term)
- ii. Property, plant and equipment
- iii. Tangible assets

Examples of non-current assets include the cash surrender value of life insurance, a bond sinking fund, certain investments in other corporations, land, buildings, construction in progress, equipment, furnishings, vehicles, leasehold improvements, some deferred income taxes, goodwill, trademarks, and unamortized bond issue costs.

IAS 16 prescribes that an item of property, plant and equipment should be recognized (capitalized) as an asset if it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably, future economic benefits occur when the risks and rewards of the asset's ownership have passed to the entity. The standard itself defines PPE as "tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting period (Kantudu, 2008).

Working capital management (the importance, effect and relationship between current assets and the organization financial performance) has over the years gained the attention of many writers, authors and researchers while capital budgeting and structure, such as investments in non-current assets which are about the management of long-term capital has been mostly overlooked or totally forgotten despite the huge value and importance (Karaduman, 2011). Even though the non-current assets are about half of the total assets of an organization (mostly manufacturing and

distribution firm), emphasis is still laid mostly on current assets that is working capital while non-current assets are neglected. Therefore it is most essential to study and evaluate the importance of assets in operating activities which generate profit with particular emphasis on investment in non-current asset and its effect on financial performance and profitability of organization.

1.2 Statement of Problem

Assets have significant role in determining the role and the profit ratio of a firm. There are many reasons that why the assets are considered to be most important. The non-current assets are about half of the total assets of the manufacturing firm and in a distribution firm. A greater return on investment can be obtained by having huge level of assets which are not current.

Non-current assets are generally considered to be more profitable than current assets, but they also entail more risk because they are more difficult to turn into cash and are likely to fluctuate in value more than current assets. This notwithstanding, the importance of non-current assets in the profitability of organizations cannot be over-emphasized.

The likes of Karaduman (2011), Iqbal and Mati (2012), Ubesie and Ogbonna (2013), Yahaya, Kutigi, Solanke, Onyabe and Usman (2015) have written about the importance of non-current assets in the financial performance of organizations. However, none of these studies covers up to the year 2016 or a wide range of companies. Besides, their studies did not make use any relevant indicator of organizational performance in analyzing how non-current assets impact on organizations' profitability. It is in recognition of these apparent gaps that this study attempts to look at non-current assets and organizational performance in companies.

1.3 Objectives of the Study

The overall objective of this study is to examine and evaluate the effect of non-current assets in the profitability of selected deposit money banks in Nigeria. The specific objectives of this study are:

- To ascertain the effect of non-current assets on organizations' turnover/sales
- To evaluate the relationship between non-current assets and profit after tax of organizations
- To determine the relevance of non-current asset on the return on assets of organizations

1.4 Research Questions

The following research questions will be considered in this study

- i. What is the effect of non-current assets on organization turnover/sales?
- ii. What is the relationship between non-current assets and profit after tax in organizational profitability?
- iii. What is the relevance of non-current assets on the return on assets of organizations?

1.5 Statement of Hypotheses

The following hypotheses are formulated and subsequently tested:

Hypothesis one

H₀: There is no effect of non-current asset on organization turnover/sales

H₁: There is effect of non-current asset on organization turnover/sales

Hypothesis two

H₀: There is no relationship between non-current assets and profit after tax of organizations

H₁: There is a relationship between non-current assets and profit after tax of organizations

Hypothesis three

H₀: There is no relevance of non-current assets on the return on assets of organizations

H₁: There is relevance of non-current assets on the return on assets of organizations

1.6 Significance of the Study

It was mentioned earlier in this study that no organization can be sustained without some investment in non-current asset because they enhance the productive capacity of firms and also that profits can be generated by investing in such assets to ensure long term profitability.

Since profitability plays a vital role within the structure and development of firm and also serve as a measures of the performance and success of a firm. This study will be of great importance to business owners (shareholders) and managers of organizations. It is expected that the study will:

- a. Call the attention of business managers to the effect of non-current asset on firms productivity
- b. Help managers to better understand the relationship between non-current asset and financial performance organization
- c. Help business managers on policies regarding non-current asset and how it can be used as a tool to maximize shareholders' funds
- d. Help share holder to understand the investment on non-current asset as a tool for business continuity and maximization of firm's value.

1.7 Scope of the Study

The scope of this study is related to the effect of non-current assets in the profitability of selected deposit money banks in Nigeria. In view of this, this study focuses on ten (10) public liability companies in the banking sector, using their 2016 - 2020 annual reports.

1.8 Definition of Terms

Non-current assets: Non-current assets are items or any other resources that represent future economic benefits which result from past transactions which are not expected to be converted to cash within one year of the balance sheet date and are being controlled by the company

Current assets: Current assets are either cash or any other company resources that are expected to be converted into cash within one year from the date shown on the balance sheet heading of the company. These resources are often referred to as liquid assets because they are so easily converted into cash in a short period of time.

Depreciation: It is a gradual conversion of the cost of a tangible asset to an accounting expense that is recognized over its estimated useful life.

Net book value (NBV): NBV of an asset is essentially how much the asset is worth at a moment in time. It is the carrying value of an asset reported on the balance, and is calculated by subtracting accumulated depreciation from the original purchase cost of the asset.

Financial performance: It is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Quite a number of authors and researches has written about the impact of non-current asset/ fixed asset on the financial performance/profitability of organizations. This chapter will make attempt to arrange the work previously done by these Author and Researchers. Therefore, this chapter shall be discussed under: conceptual framework, theoretical framework and empirical review.

2.2 Conceptual Framework

2.2.1 Concept of Assets

Asset is defined as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity (IASB Framework). Assets are sometimes defined as resources or things of value that are owned or controlled by a company. It may be something which directly generates revenue for the entity (e.g. machine, inventory) or that supports the primary operations of the organization (e.g. office building) Some examples of assets which are obvious and will be reported on a company's balance sheet include: cash, accounts receivable, inventory, investments, land, buildings, and equipment (Katja, 2009).

In simple words, asset is something which a business owns or controls to benefit from its use in some way. It may be something which directly generates revenue for the entity (e.g. a machine, inventory) or it may be something which supports the primary operations of the organization (e.g. office building).

Assets are typically divided into two categories, tangible assets and intangible assets. A tangible asset is an asset that has a physical form. Tangible assets include both fixed asset (non-current asset) such as machinery buildings and land and current assets, such as inventory. Intangible assets has no physical form, and have distinct conditions according to accounting standards examples are trademarks, patents, goodwill, copyrights and brand recognition. Hence, most of the assets presented in the balance sheet for companies are tangible assets (non-current and current). Therefore it is logical to say the proportion or group of assets (tangible) held by a firm to establish and expand its business and as shown in the balance sheet is referred to as asset structure(Mawih&Ani, 2014).

IAS 16 (International Accounting Standard) defines non-current assets as assets whose future economic benefit is probable to flow into the entity and whose cost can be measured reliably.

A non-current asset can also be defined as an asset not directly sold to a firm's consumers (end-users).

An illustration of this is a soap making firm whose current asset will be its inventory (caustic soda, fragrance, vegetable oil etc.), the value of credit sales (debtors or account receivable), cash at bank etc. its non-current assets would be the scale of measurement, mixing machine, modelling machine, motor vehicle used for goods delivery etc. although these non-current assets has value, they are not sold directly to the consumers and cannot easily be converted into cash(Katja, 2009).

2.2.2 Concept of Non-current assets

According to Ullah and Ahmad (2019), non-current assets are a company's long-term investments for which the full value will not be realized within the accounting year. They are typically highly illiquid, meaning that these assets cannot easily be converted into cash. Examples of these assets include investments, intellectual property, real estate and equipment. Non-current assets appear on a company's statement of financial position. Also known as long-

term assets, their costs are allocated over the number of years the asset is used and appear on the statement of financial position of the company.

Katja (2009) opined that non-current assets can be categorized under the following:

- i. **Tangible Assets:** Tangible assets are typically physical assets or property owned by a company, such as real estate and equipment. They are the main type of assets that companies use to produce their products and services.
- ii. **Intangible Assets:** These are assets that have no physical presence. Although they may be created, such as patent, intangible assets can also arise from the sale or purchase of business units.
- iii. **Natural assets:** Natural assets are assets that come from the earth. Examples include fossil fuel and timber.

2.2.3 Asset Identification

Asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity (IASB Framework). While most assets will be both controlled and legally owned by the entity it should be noted that legal ownership is not a prerequisite for recognition, rather it is control that is the key issue.

It is worth noting that the framework defines asset in terms of control rather than ownership. While control is generally evidenced through ownership, this may not always be the case. Therefore, an asset may be recognized in the financial statement of the entity even if ownership of the asset belongs to someone else. . For example IAS 17, *Leases*, with regard to a lessee with a finance lease, is consistent with the Framework's definition of an asset. IAS 17 requires that where substantially all the risks and rewards of ownership have passed to the lessee it is regarded as a finance lease and the lessee should recognize an asset on the statement of financial position in respect of the benefits that it controls, even though the asset subject to the lease is not the legally owned by the lessee. So this reflects that the economic reality of a finance lease is a loan to buy an asset, and so the accounting is a faithful presentation. For instance, if a machine is

leased to a company for the entire duration of its useful life, the machine may be recognized in its Statement of Financial Position (Balance Sheet) since the entity has control over the economic benefits that would be derived from the use of the asset (Dong & Su, 2010).

Apart from meeting the above definition, the Framework has advised the following recognition criteria that ought to be met before an asset is recognized in the financial statements.

- it is probable that any future economic benefit associated with the item will flow to or from the entity and
- the item's cost or value can be measured with reliability

With regard to the first criteria, it makes sense to only recognize an asset if the benefits from its use or sale are likely.

The second test ensures that the financial statements present assets that can be measured objectively. For instance, how does a person place value on something subjective such as customer loyalty or a dedicated employee? (Dong & Su, 2010).

2.2.4 Non-current Asset Register

According to Ubesie and Ogbonna (2013), non-current assets register is an accounting method used for major resources of a business or it can be defined as a statement of an organization which shows all the assets that it owns.

Non-current assets include: land, machines, office equipment, buildings, patents, trademarks, copyrights, etc. held for the purpose of production of goods or rendering of services and are not held for the purpose of sale in the ordinary course of business operation. Non-current Assets constitute a major chunk of the total assets in the case of all manufacturing entities, even in the case of service entities such as hotels, banks, financial institutions, insurers, mobile / telephone service providers etc.

The format / details to be provided in a Non-current Asset Register generally depend upon the following factors:

a) Nature of assets.

i. If movable assets constitute a significant portion of total fixed assets, details will be necessary on their movement from one department / cost center / people to another.

ii. Cost of assets. Greater control and security is required for costly equipment.

b) Customized reports on fixed assets required by management.

c) Disclosure norms / regulatory compliance as per statutory laws applicable to the entity.

d) Extent of ownership, and assets taken on lease / hire purchase.

e) Location of fixed assets. If fixed assets are located at numerous locations, greater details will have to be given. In the case of a construction company, the assets are located at different work sites. These work sites maybe in different cities / countries / continents.

g) Maintenance costs. Some non-current assets require regular servicing to keep them running in an efficient and satisfactory manner. It would be necessary to keep a tab on the maintenance costs, dates of servicing etc. during a stated period.

The Non-current Assets Register is maintained per the company's policy, and regulatory requirements which are country specific. The Major Contents of Non-current Assets Register are;

- Date of Purchase or ownership control
- Total value/cost of asset
- Funding source
- Description of Assets,
- Location
- Expected useful life
- Accumulated Depreciation/ Depreciation till date
- Depreciation for the period
- Net Book Value
- Warranty valid / not valid

Reason for Maintaining Non- current asset register

A major reason is to fulfill statutory requirement, every company is required to maintain a non-current asset register showing full particulars including cost, location, depreciation , detail of purchase, expense capitalized, etc. therefore it is a compliance with statutory.

This register will document: what the asset is, where the asset is located, who is responsible for the asset, what the asset cost, and what the expected resale value is. It allow for the easy identification of an asset by assigning each asset a unique [ID](#) which may be printed on labels in the form of a [barcode](#). It allows a company to keep track of details or each non-current asset, ensuring control and preventing misappropriation of assets. The tracking of assets can prevent theft and loss and the maintenance of assets which is aided by the register can extend the life of the asset. In addition, a good non-current asset Register will also show each asset depreciation since its purchase date, clearly stating its current value. The assets current worth will also help for tax and insurance purposes. There are major tax benefits to any business tracking their assets correctly.

A non-current Asset register also allows a company to keep track of its non-current assets that are not under simple, direct control of the company. This means owned and leased assets, assets under construction, and imported assets.

2.2.5 Management of Non-current Asset

Ubesie and Ogbonna (2013) opined that non-current assets management is an accounting process that seeks to track fixed assets for the purposes of financial accounting, preventive maintenance, and theft deterrence. The management of non-current assets such as buildings, fixtures and machinery, which cannot be converted to a fair cash value in a timely manner.

Organizations face a significant challenge to track the location, quantity, condition, and maintenance and depreciation status of their non-current assets. A popular approach to non-current assets tracking are often managed through the use of asset tags, which are tracked

through serial numbers or bar codes, for easier organization, accurate reading and are filed for the purpose of accounting, maintenance and prevention of theft. The owner of the assets can take inventory with a mobile bar code reader and then produce a report. Off-the-shelf software packages for non-current asset management are marketed to businesses small and large. Some enterprise resource planning systems are available with fixed assets modules. Some tracking methods automate the process, such as by using fixed scanners to read bar codes on railway freight cars or by attaching radio-frequency identification (RFID) tag to an asset.

Tracking assets is an important concern of every company, regardless of size. While employees may use a specific tool or tools, the asset ultimately belongs to the company and must be returned and therefore without an accurate method of keeping track of these assets it would be very easy for a company to lose control of them. With advancements in technology, asset tracking software is now available that will help any size business track valuable assets such as equipment (Amalendu, 2010).

2.2.6 Depreciation of non-current asset

Amalendu (2010) postulated that non-current assets are sometimes defined as resources or things of value that are owned by a company, which are long term in nature hence the full value of such assets is not realized within one financial year rather it is allocated over several periods depending on the expected life term of the asset. Non-current assets are depreciated over their useful lives instead of allocating its entire costs to the fiscal accounting period when the assets were purchased.

According to Ubesie and Ogbonna (2013), in accountancy, depreciation refers to two aspects of the same concept:

(1) The decrease in value of assets (fair value depreciation)

(2)The allocation of the cost of assets to periods in which the assets are used (depreciation with the matching principle) Depreciation is an accounting method of reallocating the cost of a tangible asset over its useful life span of it being in use. Organization/businesses usually depreciate non-current or long-term tangible assets for both tax and accounting purposes. The former affects the balance sheet of a business or entity, and the latter affects the net income that they report.

Generally, depreciation is simply put to be expense generated by the use of an asset. It is the wear and tear of an asset or a reduction in the historical value which is due to its usage. Further to this, it is the cost of asset less any salvage value over its estimated useful life.

Depreciation is the assigning or allocating of an asset's cost to expense over the accounting periods that the asset is likely to be used. It is an expense because it is matched against the revenue generated through the use of same asset for same period. This expense is recognized by businesses for financial reporting and tax purposes. Depreciation is usually spread over the economic useful life of an asset because it is regarded as the cost of an asset absorbed over its useful life. The method of depreciation to be adopted is left for the management to decide in consideration to the peculiarity of the business, prevailing economic condition of the assets and existing accounting guideline and principles as implied in the organizational policies. Depreciation expense generally begins when the asset is placed in service.

Methods of computing depreciation, and the periods over which assets are depreciated, may vary between asset types within the same business and may vary for tax purposes. These may be specified by law or accounting standards, which may vary by country. There are several standard methods of computing depreciation expense, including fixed percentage, straight line, and declining balance methods.

Under the international Accounting Standards Board (IASB), the depreciation of a non-current asset is considered an expense in a company's financial statements because it spreads out the cost of the asset over its useful life. There is several method of depreciation used by organization; the simplest and most common is straight-line depreciation.

2.2.7 Calculating Depreciation of Non-current Asset

Amalendu (2010) further stated that The International Financial Reporting Standards, usually called the IFRS standards are standards by the [IFRS Foundation](#) and the [International Accounting Standards Board](#) (IASB) to provide a common global language for business affairs so that company [accounts](#) are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing the many different national accounting standards. They are the rules to be followed by accountants to maintain books of accounts which are comparable, understandable, reliable and relevant as per the users internal or external.

Generally Accepted Accounting Principles (GAAP) is a framework or a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. They are authoritative rules, practices, and conventions meant to provide both broad guidelines and procedure on commonly accepted ways of recording and reporting accounting information.

How to Calculate Fixed Assets Depreciation Based on IFRS

There are several methods you can choose alternative ways to calculate depreciation. IAS 16, however, states that “the depreciation method should reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity and that appropriateness of the method should be reviewed at least annually in case there has been a change in the expected pattern”.

Beyond that, the standard leaves the choice of method to the entity, even though it does cite ‘straight-line’, ‘diminishing balance’, and ‘units of production’ methods.

Below are rules that should be considered, in calculating non-current assets depreciation based on IFRS:

If an asset is present but is temporarily idle, then its depreciation should be continued using the existing assumptions for the usable life of the asset. Only if it is permanently idled should the accountant review the need to recognize impairment of the asset.

However, an asset is rarely purchased or sold precisely on the first or last day of the fiscal year. When an asset is either acquired or disposed of during the year, the full-year depreciation calculation should be prorated between the accounting periods involved. This is necessary to achieve proper matching.

Under GAAP, there are several allowable methods of calculating depreciation. They include; straight –line, declining balance, sum-of-the years’ digit, and units of production.

To illustrate the various forms of GAAP depreciation, assume the existence of a plant asset that costs #15,000,000.00 Management estimates that the asset will have a useful life of five years, after which it may be sold or transferred for a salvage value of #3,000,000.00; this results in a depreciable basis of #12,000,000.00 Assume also that the asset will produce 6,000 units throughout the five years it is in service.

1. Straight – Line Depreciation

Straight-line depreciation provides for a depreciation rate that is the same amount in every year of an asset’s life. Straight-line depreciation has been the most widely used depreciation method in the U.S. for many years due to its simplicity. This is the simplest method available, and is the most popular one when a company has no particular need to recognize depreciation costs at an accelerated rate (as would be the case when it wants to match the book value of its depreciation to the accelerated depreciation used for income tax calculation purposes), and it is used for all amortization calculations.

This method is calculated by subtracting an asset’s expected residual value from its capitalized cost and then dividing this amount by the estimated useful life of the asset.

Salvage/scrap value- estimated remaining value of an asset after its useful years.

Using the criteria in above, the annual depreciation will be calculated as the depreciable base of #12,000,000.00 divided by five years = #2,400,000.00 each year the asset is in service

2. Declining balance Depreciation

Declining/diminishing balance depreciation methods are oriented toward the more rapid recognition of depreciation expenses, on the grounds that an asset is used most intensively when it is first acquired and also minimize tax exposure. The most common form of declining balance is the double-declining balance, which is calculated by multiplying the straight –line rate by 2.

The diminishing/declining balance method is a type of accelerated depreciation method that calculates a higher depreciation charge in the first year of an asset's life and gradually decreases depreciation expense in subsequent years.

3. Sum-of-the-Years' Digits Depreciation

Unlike the straight line method that equally allocates depreciation each year throughout the asset's life, the sum-of-the-years' digits method offers as depreciation rate that accelerates more than the straight-line method but less than the declining balance method. Annual depreciation is separated into fractions using the number of years of the asset's useful life. Assets are depreciated each year by dividing the remaining years of an assets' life by the sum of each digit in an asset's life to determine the depreciation rate and multiplying this rate by the asset's depreciable base. Using our asset in section one, the first year of depreciation will be calculated as follows: 5 years divided by the sum of 1+2+3+4+5, or $5/15 = .333$ depreciation rate Depreciation rate of .333 x #12,000,000.00 depreciable base = #4,000,000.00 depreciation expensed in the first year. The remaining years' depreciation are as follows: Year 2: $4/15$ #12,000,000.00 = #3,200,000.00 Year 3: $3/15$ X #12,000,000.00 = #2,400,000.00 Year 4: $2/15$ X #12,000,000.00 = #1,600,000.00 Year

5: $1/15 \times \#12,000,000.00 = \#800,000.00$. While the numerator declines each year, the denominator of 15 will always remain the same.

4. Units of Production Depreciation

The units of production method is based on the asset's output, such as the number of hours an asset is used, the number of units it produces or another relevant measure of production. Accountants employ this method by first dividing the asset's depreciable base by its total output and then multiplying this depreciation rate by the number of units produced during this period.

Units of production assigns an equal expense rate to each unit produced, which makes it most useful for assembly or production lines. The formula involves using historical costs and estimated salvage values and then determining the expense for the accounting period, multiplied by the number of units produced. If the company produces 1,100 units in the first year of the asset's use, the annual depreciation is calculated as follows: $\#12,000,000.00$ divided by 6,000 total asset production units, or $\#2,000.00$ depreciation per production unit. $\#2,000.00$ depreciation per production unit times 1,100 output units in the first year = $\#2,200,000.00$ depreciation expense for the first year.

Perhaps the most accurate depreciation methods are those that are tied to actual asset usage (such as the units of production method), though they require much more extensive recordkeeping in relation to units of usage.

2.2.8 Non-current Asset Turnover

Asset turnover is a financial ratio used to measure operating performance and efficiency of a company's use of its assets in generating sales revenue or sales income to the company. It is a ratio of net sales to assets. In a general sense, a higher asset turnover ratio indicates that a company has more effectively utilized investment assets to generate revenue (Ubesie&Ogbonna, 2013).

Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low assets turnover. Companies in the retail industry tend to have a high turnover ratio which is mainly due to cutthroat and competitive pricing.

$$\text{Asset turnover} = \frac{\text{Net Sales Revenue}}{\text{Average Total Asset}}$$

Non-current asset turnover is the ratio of sales (on the profit and loss account) to the value of non-current assets (on the balance sheet). It indicates how well the business is using its non-current assets to generate sales and ultimately profit for the organization.

$$\text{Non-current Asset} = \frac{\text{Net Sales}}{\text{Average Net Fixed Asset}}$$

Average Net Fixed Asset

A high non-current asset ratio indicates that an organization is doing the following:

Effectively generating sales with a relatively small amount of investment in non-current assets.

Adequate outsourcing work to prevent or avoid excessive investment in non-current assets.

Timely disposing / selling off of excess non-current asset capacity.

A low non-current asset ratio indicates that an organization or business is also doing the following:

Over investing in non-current assets.

Made a large or huge investment in non-current assets, with a time delay before the new assets starts generating revenue.

Invested in areas that do not increase the capacity of the bottleneck operation, resulting in no additional throughput

Therefore need to issue new products to revive its sales and increase revenue generation

Generally speaking, the higher the ratio, the better, therefore an increasing trend in non-current assets turnover ratio is desirable because a high ratio indicates the business has less money tied up in non-current assets for each unit of currency of sales revenue. A declining trend in non-current asset turnover ratio may indicate otherwise that is over investment in non-current assets (plant, equipment, or other fixed assets). While a higher ratio is indicative of greater efficiency in managing fixed-asset investments, there is not an exact number or range that dictates whether a company has been efficient at generating revenue from such investments. Therefore, it is important to compare the non-current asset turnover ratio over the years for the same company. This comparison will tell whether the company's performance is improving or deteriorating over the years. It is also important to compare the non-current asset turnover ratio of other companies in the same industry. This comparison will indicate whether the company is doing better or worse than the competitors (Ubesie&Ogbonna, 2013).

2.2.9 Financial Performance

Finance is one of the most important functions of any business. Not only is finance a good indicator of the health of the company overall, but it also holds an important role in managing business growth. Whether growth is attributable to a larger market capitalization, and increase employee, a new location, a new product or service offering, or a new demographic, finance is the enabler of such opportunities. Finance always being disregarded in financial decision making since it involves investment and financing in short-term period. Further, also act as a restrain in financial performance, since it does not contribute to return on equity (Rafuse, 1996). A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value (Padachi, 2006). Dilemma in financial management is to achieve desired tradeoff between liquidity, solvency and profitability (Lazaridis, 2007). A firm is required to maintain a balance between liquidity and profitability while conducting its day to day operations. The importance of cash as an indicator of continuing financial health should not be surprising in view of its crucial role within the business.

Management of working capital in terms of liquidity and profitability management is essential for sound financial recital as it has a direct impact on profitability of the company (Rajesh & Ramana, 2011). The crucial part in managing working capital is required maintaining its liquidity in day-to-day operation to ensure its smooth running and meets its obligation (Eljelly,2004). Ultimate goal of profitability can be achieved by efficient use of resources. It is concerned with maximization of shareholders or owners wealth. This requires that business must be run both efficiently and profitably. This position can be attained through the analysis of financial performance(Panwala, 2009).

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time (Eljelly,2004).

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

The word 'Performance' is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished(Rajesh & Ramana, 2011).

In the words of Frich Kohlar, "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just

the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance.

Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms

2.2.10 Financial Performance Analysis

Financial performance analysis is an appraisal of the feasibility, solidity and fertility of a business, sub-business or mission; it is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value(Rajesh &Ramana, 2011).

Financial performance analysis is vital for the triumph of an enterprise. The ability of an organization to analyze its financial position is essential for improving its competitive position in the marketplace. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the statement of financial position and statement of comprehensive income. Financial performance analysis also includes the analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance. Evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective monetary terms(Rajesh &Ramana, 2011).

2.2.11 Financial Statement

Financial statements are a formal record of the financial activities and position of a business, person or other entity. The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements are expected to be understandable, relevant, reliable and comparable. Financial statements for companies usually include:

Statement of financial position which gives reports on a company's assets, liabilities, and owners' equity at a given point in time.

Income statement or profit and loss report which reports on a company's income, expenses, and profits over a period of time. Profit and loss statement provides information on the operation of the enterprise. These include sales and the various expenses incurred during the stated period.

Statement of retained earnings or statement of changes in equity or reports on the changes in equity of the company during the stated period,

Cash flow statement reports on a company's cash flow activities, particularly its operating, investing and financing activities.

For large corporations, these statements may be complex and may include an extensive set of footnotes. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements (Rajesh & Ramana, 2011).

2.3 Prior Empirical Review

Various authors have x-rayed the relationship between investment in fixed assets and profitability of firms. Olatunji (2014) studied the effect of investment in fixed assets on profitability of selected Nigerian Commercial Banks. The study concluded that investments in

fixed assets have strong and positive statistical impact on the profitability of banking sector in Nigeria.

Deloof (2003) explored the relation between the profit ratio and the asset management by collecting the sample of firms that are non-financial total of 1000 Belgium based firms. The results of study showed the indirect relation between the profit ratio and the asset management of all the firms based in Belgium. The research showed that the profit rate can be decreased. The firms having less profit took more time to pay.

Lazaridis and Tryfonidis (2006) have explored that the relation between the profit ratio and the asset management is significant. The sample of firms during 2004 was collected to observe the facts. The results showed the statistical significance between the both. And it was measured by cycle of cash conversion. Managers of firms can create the consistency by handling correctly the cash in hand and the inventories.

Rahman and Nasir (2007) conducted a study of 109 firms based in Pakistan listed in Lahore exchange for about 8 years and observed the facts affecting the asset management ratio and the profit ratio. The results indicated that there is inverse relation between collection period and the inventory turnover, cycle related to cash conversion. Moreover, they also indicated that the size of the firms and the profit ratio by the logarithm of turnover.

Emekewue (2005) defined investment as the art of planning expenditures whose return are expected to exceed one year. It involves a sacrifice of present consumption in exchange of future benefits. Since investment involves a sacrifice of present condition, there is an element of risk that future outcome may not be realized. The efficiency in the use of fixed assets can be measured with fixed assets turnover ratio.

Various authors have x-rayed the relationship between investment in fixed assets and profitability of firms.

Eriotis, Frangouli and Neokosmides (2000) investigated the relationship between debt to equity ratio and firm's profitability taking into consideration the level of a firm's investment and the degree of market power. The study used panel data for various industries, covering a period

1995-96. The main conclusions of the study were: - (a) firms which prefer to finance their investment activities through self-finance are more profitable than firms which finance investment through borrowed capital. (b) Firms prefer competing with each other than cooperating. (c) Firms use their investment in fixed assets as a strategic variable to affect profitability.

Mishra and Cobeli (2003) investigated the impact of research and development (R&D) on a firm's performance. This was compared with the impact on investment. They used an improved time series, cross sectional regression model, to compare the ratio of return from a dollar investment in R&D to a dollar investment on fixed assets in pharmaceutical and chemical industries. They found that (1) there is a positive association of R&D intensity and all variables of a firm's performance (net margin, operating margin, sales growth, and market value). (2) An investment in R&D earns an operating margin return much higher than the industry cost of capital (3). The effect of an investment in R&D on the firm's market value is about twice as much the effect of an investment in fixed assets. They concluded that these funding have implications for corporate investment strategies, indicating that additional R&D investment is more likely to provide a firm with a unique and sustained competitive advantage.

Paradogonas (2007) wrote on the financial performance of large and small firms: evidence from Greece. The paper attempts to specify possible differences in the main factors that determine a firm's profitability, using data from Greek manufacturing sector for 1995- 1999 period. The analysis used regression models and is performed on a longitudinal sample of 3035 firms, classified by size of employment. The econometric results indicate that size, managerial efficiency, debt structure, investment in fixed assets and sales affect significantly a firm's profitability.

Adelegan (2008) carried out a study to examine the link between tax and real investment and address the effect of the incentive and disincentive structures of different taxes on investment at the firm and industry level in Nigeria. The study adopts the neoclassical model that incorporated adjustment costs and tax parameters using a firm's level of industry level data from 1984-2000. The study showed that adjusted tax cash flow, debt shield, and cost of capital have significant

positive effects on investment, while marginal tax rates and interest expenses have significant negative effects on a firm's fixed investment.

Sayed and Hogue (2009) studied the impact of assets and liability management on profitability; a study on public versus private commercial banks in Bangladesh. Their study examined how assets and liability management together with external variable such as degree of market concentration and inflation rate impact the profitability of selected commercial banks in Bangladesh. The study also dealt with the impact of Assets and Liability Management (ALM) on the profitability of the sixteen Bangladesh commercial banks classified into private and public. A modified Statistical Cost Accounting (SCA) model was applied to test whether the ALM of the private sector banks are better than public sector banks. The regression results show that the use of total income the dependent variable for private and public banks show evidence that all of the assets have significant contribution to total income of the private banks. The coefficients of all liabilities are insignificant. Six out of eleven independent variables have significant impact on total income to assets ratio of public sector banks.

Belgian Magazine (2009) analysis of SAB Miller 2009 performance shows that Revenue in the six months to September 2009 fell to USD8.85 billion from USD 11.17 billion while the net profit dropped to USD 973 million from USD 1.42 billion. Profit was hit by higher input costs and unfavorable foreign-exchange rates.

Svetlana and Aaro (2012) studied the impact of company's investment intensity on its return on assets. Svetlana and Aaro (2012) used regression analysis as the methodology on a sample of 8,074 companies in six European Union (EU) member states over a nine year period from 2001 to 2009. Contrary to some previous studies, they could not identify any strong negative (or positive) impact of investment intensity on future rate of return on assets.

Firms used their investment in fixed assets as a strategic variable to affect profitability. Ibam (2007) argued that a company's investment in fixed asset is dependent, to a large degree, on its line of business. Some businesses are more capital intensive than others. According to Ibam (2007) fixed asset turnover ratio looked at asset over time and compares the ratio to that of competitors. This gives the investor an idea of how effectively a company's management is

using fixed asset. It is a rough measure of the productivity of a company's fixed assets with respect to generating sales. The higher the number of times turned over, the better. However investors look for consistency or increasing fixed assets turnover rates as positive balance sheet investment qualities (Ibam, 2007).

Khalid (2012) examined the relationship between the asset quality management proxies and profitability nexus. Using the return on assets and profitability ratios as proxies for bank profitability for the period 2006-07 to 2010-11, operating performance of the sample banks is estimated with the help of financial ratios. Also multiple regression model was employed to examine if bank asset quality and operating performance are positively correlated. The results showed that a bad asset ratio is negatively associated with banking operating performance, after controlling for the effects of operating scale, traditional banking business concentration and the idle fund ratio.

Okwo (2016) studied the investment in fixed assets and firm profitability, evidence from the Nigerian Brewery Industry. A cross sectional data was gathered for the analysis from the annual reports of the sampled brewery firms for a period of 1995 to 2009. The four brewery firms that constitute the sample were those quoted on the Nigerian Stock Exchange and their inclusion in the analysis is based on the availability of data for the sample period. The brewery firms that constitute the sample are: Nigerian Breweries Plc, Guinness Nigeria Plc and International Breweries Plc, Champion Breweries Plc. The result of the tested hypothesis showed that the level of investment in fixed assets does not strongly and significantly impact on the level of reported profit of breweries in Nigeria.

Beneish(2001), and Fairfield, Whisenant and Yohn (2003), among others have identified a rather strong negative relationship between investment intensity and profitability.

Aguzzi and Payne (2007) refer to this fact that many industries in the mining sector have a "massive growth" in fixed assets. In this case, the assets structure in the manufacturing companies tends to increase investment in fixed assets and decrease the investment in current assets. Moreover, the massive growth in fixed assets should lead to increase the profit because the utilization of these assets means more products and sales (Kantudu,2008).

Li (2004) examines the negative association among capital investments (fixed assets), future profitability, and stock returns. The study analyzed the financial statements for the firms from 1962 to 2002. The result showed the negative association between investment and future profitability is robust to scaling of investment and conservative accounting effects. Investments in fixed assets have strong and statistical positive impact on the profitability of banking sector in Nigeria. In order to improve bank profitability there should be efficient management of fixed assets.

Dong (2012) studied the level of fixed assets and risk-adjusted performance. They found that firms with a higher level of fixed asset holding and overhead expenses and covered by preferential tax policies in China are found to be associated with lower risk-adjusted performance.

Okwo, Okelue, and Nweze (2018) assess the impact of a company's investment in fixed assets on its operating profit margin. The study is based on a sample for companies in the Nigerian brewery sector for a period from 1999 to 2009. They used regression statistical method to examine the relationship between level of investment in fixed assets and its impact on the operating profit. The study concluded that there is a positive relationship between the variables, but it is not statistically significant. Therefore, the result did not suggest any strong positive impact of investment in fixed assets on the operating profit of brewery firms in Nigeria.

Finally, Afza and Nazir (2018) also made a study to establish the relation between the asset management and the profit ratio for a sample of 207 firms based in Pakistan for the period of 2009. The study also investigated the industrial effects on the firms. Moreover, an indirect relation was also proven between the both.

2.4 Theoretical Framework

Stakeholders Theory

The stakeholder' theory was developed by Freeman (1984) with emphasis on the need for managers to have corporate accountability to stakeholders instead of shareholders. Stakeholders are "any group or individual that can affect or is affected by the achievement of a corporation's purpose" (Freeman, 1984).

The stakeholder theory is a theory of [organizational management](#) and [business ethics](#) that addresses morals and values in managing an organization; it attempts to address the "principle of who or what really counts. Contrary to the traditional view of a company, the [shareholder](#) view, where only the owners or shareholders of the company are important, and the company has a binding [fiduciary](#) duty to put their needs first, to increase value for them. Stakeholder theory instead argues that there are other parties involved, including [employees](#), [customers](#), [suppliers](#), [financiers](#), [communities](#), [governmental bodies](#), [political groups](#), [trade associations](#), and [trade unions](#). Even competitors are sometimes counted as stakeholders – their status being derived from their capacity to affect the firm and its stakeholders. Stakeholder theory provides an appropriate lens for considering a more complex perspective of the value that stakeholder seek as well as new ways to measure it. Stakeholder theory has infiltrated the academic dialogue in management and a wide array of disciplines such as health care, law, and public policy (Freeman, Harrison, Wicks, Parmar & de Colle, 2010). Much attention has been paid to some basic themes that are now familiar in the literature—that firms have stakeholders and should proactively pay attention to them (i.e. Freeman, 1984), that stakeholder theory exists in tension (at least) with shareholder theory (i.e., Friedman, 1970), that stakeholder theory provides a vehicle for connecting ethics and strategy (i.e., Phillips, 2003), and that firms that diligently seek to serve the interests of a broad group of stakeholders will create more value over time.

Human Capital Theory

This is a modern extension of Adam Smith's explanation of wages differentials by the so called net disadvantages between different employments. The cost of learning the job is a very important component of net advantage and has led Economists such as Garry. Becker and Jacob Mineer to claim that, other things being equal, personal incomes vary according to the amount of investment in human capital involves both direct cost and costs in foreign earning (Schultz 1961). Workers making investment decision compare the attractiveness of alternative future

income and consumption streams, some of which offers to enhance future income, in exchange of higher present training cost and deferred consumption

Even in economics, critics of human resource theory point to the difficulty of measuring the concepts, including future income and the central idea of human capital itself. Not all investment in education guarantees an advance in productivity as judged by employers or the market. There is a problem in measuring both worker productivity and the future in near tautological fashion by reference to actual earnings differences which the theory purports to explain. The empirical studies have suggested that though some of the observed variation in earnings is likely to be due to skills learned the proportion of unexplained variance is skill high and must be an attributes of the imperfect structure and functioning of the labour market, rather than of the productivities of the individuals constituting the labour supply (Baney& wright 1997)

Human capital theory has attracted much criticism from sociologists of education and training. In the Marxist renaissance of the 1960's it was attacked for legitimating so-called bourgeois individualism, especially in the United States where the theory originated. It was also accused of blaming individuals for the defects of the system, making Pseudo-capitals out of workers, and fudging the real conflict of interest between the two (Flamholtz& Lacey, 1981). However, even discounting these essentially political criticisms, human capital theory can be regarded as part of rational-exchange theory and open to a standard critique, by sociologists, of individuals explanations of economic phenomena.

Stewardship Theory

The stewardship theory emerged as a result of the seminar work by Donaldson and Davis (1991). In contrast to agency theory, stewardship theory presents a different model of management, where managers are considered good stewards who will act in the best interest of the owners. The fundamentals of stewardship theory are based on social psychology, which focuses on the behavior of executives. The steward's behavior is pro-organizational and collectivists, and has higher utility than individualistic self-serving behavior and the steward's behavior will not depart from the interest of the organization because the steward seeks to attain the objectives of the organization. According to Smallman (2004), where shareholder wealth is maximized, the steward's utilities are maximized too, because organizational success will serve most requirements and the stewards will have a clear mission. He also states that stewards balance

tensions between different beneficiaries and other interest groups. Therefore stewardship theory is an argument put forward in firm performance that satisfies the requirements of the interested parties resulting in dynamic performance equilibrium for balanced governance.

Stewardship theory sees a strong relationship between managers and the success of the firm, and therefore the stewards protect and maximize shareholder wealth through firm performance. A steward is the one who improves performance successfully, satisfies most stakeholder groups in an organization, when these groups have interests that are well served by increasing organizational wealth (Davis et al, 1997). When the position of the CEO and Chairman is held by a single person, the fate of the organization and the power to determine strategy is the responsibility of a single person. Thus the focus of stewardship theory is on structures that facilitate and empower rather than monitor and control. Therefore stewardship theory takes a more relaxed view of the separation of the role of chairman and CEO, and supports appointment of a single person for the position of chairman and CEO and a majority of specialist executive directors rather than non-executive directors (Clarke, 2004).

Davis et al., (1997) identified five components of the management philosophy of stewardship as trust, open communication, empowerment, long-term orientation and performance enhancement.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes more critically and fundamentally the rationale for the application of the specific procedures or techniques used to analyze the information applied to understanding the research problem or question which is the subject matter into scope of the research settings in order to yield result. This chapter is concerned with the method and procedures that were employed in carrying out the research. They include research design, study population, selection of sample/ sampling technique, sources of data, methods of data collection and method of data analysis. The points listed shall be discussed in detail in the succeeding headings:

3.2 Research Design

Research design is a master plan specifying the method and procedures for collecting and analyzing the needed information. This study uses quasi-experimental research approach for data analysis. Baridam (2001) suggested that the choice of a design is influenced by the purpose of the study, the study setting, the time horizon and unit of analysis.

The approach combines theoretical consideration with empirical observation and maximum information from the available data. The research also adopted description research method; the study relied on historical time series for its secondary data which formed the entire source for the study.

3.3 Characteristics of Study Population

The study population in research relates to the population the researcher can apply his conclusions on. This study was carried out in Nigeria, with reference to public liability companies on the Nigerian Stock Exchange; hence the study population comprised twenty five (21) deposit money banks listed on the Nigerian Stock Exchange.

3.4 Sampling Design & Procedures

Due to the cumbersome nature of studying all the deposit money banks listed on the Nigerian Stock Exchange, the study focused on ten (10) of such companies that are listed on the Nigerian Stock Exchange for the years 2016 to 2020. The sample size was limited to ten (10) public liability companies for ease and convenience.

Selection of the companies was based on the following criteria:

1. They were listed on Nigerian Stock Exchange during the period and
2. The firms have the basic financial statement data.

For the purpose of this study, the sampling technique adopted for the selection of these ten companies was the non-probability sampling technique, and in particular, the simple random sampling method was adopted in the selection of the sample size. The justification for the use of this technique is that it is easy and convenient to use.

3.5 Data Collection Instrument

In this study, secondary data drawn from the audited and published financial statements of the selected firms for the years 2016 to 2020 were applied. The study depended on data collected from quoted companies. Annual reports and accounts of a company remain a regularly produced statutory document (CAMA, 2004) that shows a true picture of the financial position of such a

company per time. The mandatory annual audit of the company's annual reports and accounts further portrays them as credible and highly reliable documents. In addition to this, secondary data from data sources, especially The Nigerian Stock Exchange Fact book and the individual company's audited annual report were obtained to serve as sources of generating the used secondary data.

The data for the ten deposit money banks relating to the indicators of financial performance used (turnover/ sales, current assets and return on assets) were obtained from the secondary data, that is the audited financial statements of the companies under study for the year 2016 to 2020.

3.6 Operational Measures of Variables

The main tool is the panel least square (OLS) using the multiple regression method. Statistical evaluation of the global utility of the analytic model so as to determine the reliability of the result obtained were carried out using the coefficient of the coefficient of the determination regression, the coefficient of determination (r^2), the student T-test and F-test.

Coefficient of Determination (r^2) Test.

This measures the explanation power of the independent variables on the dependent variables. R^2 gives the proportion or percentage of the total variation on the dependent variable y that is accounted for by the single explanatory variable x . The higher the R^2 value the better for the example to determine the proportion of the financial market penetration through capital fundamental in our model, we used the coefficient of the determination. The coefficient of determination varies between 0.0 and 1.0. A coefficient of determination say 0.20 means that 20% of changes in the dependent variables. Therefore, we shall use the R^2 to determine the market fundamentals by variables are explained by variation in monetary policy transmission mechanism using various transmission channels.

- F- Test: This measures the overall significance. The extent to which the statistics of the coefficient of determination is statistically significant is measured by the F- Test. The F- Test can be done by using the f-statistic or by the probability estimate for this analysis.

- Student T-test: measures the individual's statistical significance of the estimated independent variables. This is a test of significance used to test the significance of regression coefficient (Gujurat, 2003).
General speaking, the test of significance approach is one of the method used to test statistical hypothesis. A test of significance is a procedure by sample results are used to verify the truth or falsity of a null hypothesis (HO) at 5% level of significance.
- Durbin Wilson statics: this measures the co linearity and auto correlation between the variables in time series. It is expected that a ratio of close to 2.00 is not auto correlated while ratio above 2.00 assumed the presence of auto correlation.
- Regression coefficient: this measures the extent in which the independent variables affect the dependent variables in the study.
- Probability ratio: It measures also the extent in which the independent variable can explain change to the dependent variables given a percentage level of significant.

3.7 Method of Data Analysis

Data analysis is a systematic way of computing, analyzing and summarizing data in order to interpret and present such in a simple and easy to understand form.

In keeping with previous studies on inventory management and performance of manufacturing companies, this study employed simple linear regression analysis to test the hypotheses raised. The linear regression model defines the linear relationship between two variables, thus:

$$Y = a + bx$$

Where;

Y = the value of dependent variable

a = the Y- intercept

b = the slope of the line

x = the value of the independent variable

Therefore, given the three hypotheses stated in chapter one, we used the following to represent their respective variables:

H₀: there is no effect of non-current assets on turnover/ sales of organizations.

For hypothesis one, we had:

TOV f(NCA) = 0, where;

TOV = Turnover/ sales, and

NCA = Non-current assets

Substituting the above function in place of our linear regression model, we had:

$$\text{TOV} = a + b (\text{NCA}) \dots\dots\dots (i)$$

Hypotheses II

H₀: There is no relationship between non-current assets and profit after tax of organizations

For hypothesis two, we had:

PAT f(NCA) = 0

PAT = Profit after tax

NCA = Non-current assets

Incorporating this into our linear regression model, we had:

$$\text{PAT} = a + b(\text{NCA}) \dots\dots\dots (ii)$$

Hypotheses III

H₀: there is no relevance of non-current assets on return on assets of organizations

For hypothesis three, we had:

$$ROA f(NCA) = 0$$

ROA = Return On Assets

NCA = Non-current assets

Incorporating the above function into our linear regression model, we had:

$$ROA = a + b(NCA) \dots \dots \dots (iii)$$

Similarly, Quantitative analysis of the generated data was done using 'The Statistical Package for Social Sciences (SPSS). Therefore, given the form of the linear regression model stated above, the following formulae were used to determine the slope of the regression line and the Y-intercept.

$$b = \frac{n(\sum XY) - (\sum X)(\sum Y)}{n(\sum X^2) - (\sum X)^2}$$

$$a = \frac{\sum Y - b \sum X}{n}$$

This enabled the researcher to determine the impact of the activities of the sampled ten companies with respect to inventory management, make analysis from such impact and draw conclusions from the analyses.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is concerned with data presentation, analysis, interpretation and discussion of results. It presents the empirical result from estimation of the model. The regression method was used in the analysis. The computer based the regression statistical method using IBM SPSS Statistics version 20 to test the three hypotheses formulated in chapter one. The aim was to draw conclusions on the basic issues of the research.

4.2 Presentation and data analysis

Data presentation means the known ways of carrying the different forms of data obtained through various data selecting techniques to enable the researcher perform analysis and extract new meaning format. The data is presented below:

Table A 4.1: Summary Of Profit after taxation						
S/N	BANKS	2016	2017	2018	2019	2020
1	ACCESS BANK PLC	1,454,476,503.00	1,638,229,214.00	1,889,920,105.00	2,340,885,926.00	3,017,962,259.00
2	FIDELITY BANK PLC	1,016,517,438.00	1,306,589,616.00	1,696,139,593.00	1,492,577,422.00	1,597,039,370.00
3	FCMB PLC	858,564,232.00	<u>117,910,189.00</u>	72,425,290.00	86,270,261.00	71,016,185.00
4	UNION BANK	840,809,000.00	836,061,000.00	869,578,000.00	949,618,000.00	1,068,057,000.00
5	GTB	14,778,273.00	18,401,327.00	18,571,159.00	21,007,814.00	41,542,547.00
6	POLARIS BANK	29,919,320.00	31,110,422.00	32,654,512.00	28,340,582.00	30,416,972.00
7	ZENITH BANK	28,778,183.00	32,238,619.00	40,840,041.00	33,511,512.00	47,869,835.00
8	ECOBANK					

		62,607,073.00	41,755,808.00	37,389,330.00	48,714,686.00	97,736,155.00
9	KEYSTONE BANK	33,197,380.00	43,297,853.00	37,277,818.00	47,483,378.00	62,264,958.00
10	UBA	11,686,100.00	10,910,916.00	12,260,856.00	15,315,316.00	22,328,488.00

Source: Annual Reports of the banks under study

S/N	BANKS	2016	2017	2018	2019	2020
1	ACCESS BANK PLC	61,277,960.00	65,864,798.00	68,597,141.00	70,878,292.00	76,998,256.00
2	FIDELITY BANK PLC	42,619,819.00	48,341,255.00	54,130,830.00	62,605,645.00	65,469,455.00
3	FCMB PLC	31,749,374.00	13,572.00	59,145.00	43,108.00	60,350.00
4	UNION BANK	45,659,000.00	46,036,000.00	51,358,000.00	55,849,000.00	55,426,000.00
5	GTB	21,719,351.00	25,352,787.00	27,165,096.00	29,164,670.00	30,948,762.00
6	POLARIS BANK	19,662,063.00	19,133,432.00	19,039,654.00	19,766,079.00	25,844,128.00
7	ZENITH BANK	77,231,484.00	88,822,002.00	91,488,232.00	88,735,120.00	89,122,609.00
8	ECOBANK	62,607,073.00	66,451,672.00	68,672,737.00	70,500,367.00	71,849,777.00

9	KEYSTONE BANK	22,398,308.00	22,396,773.00	20,568,808.00	19,410,363.00	18,874,972.00
10	UBA	21,877,622.00	29,817,606.00	38,965,718.00	38,756,773.00	39,372,841.00

Source: Annual Reports of the banks under study

S/N	BANKS	2016	2017	2018	2019	2020
1	ACCESS BANK PLC	197,081,930.00	206,891,219.00	245,383,536.00	337,404,230.00	3 81,320,783
2	FIDELITY BANK PLC	131,166,141.00	168,015,252.00	190,952,742.00	196,867,016.00	187,279,015.00
3	FCMB PLC	116,832,323.00	130,995,439.00	148,637,409.00	152,507,947.00	176,351,973.00
4	UNION BANK	96,484,000.00	103,225,000.00	109,821,000.00	118,366,000.00	123,455,000.00
5	GTB	55,547,798.00	60,004,119.00	55,754,309.00	59,221,748.00	69,777,061.00
6	POLARIS BANK	72,154,601.00	71,343,088.00	72,905,679.00	73,126,070.00	69,527,537.00
7	ZENITH BANK	116,461,882.00	122,463,538.00	109,202,120.00	118,495,882.00	101,973,030.00
8	ECOBANK					

		116,707,394.00	133,084,076.00	143,328,982.00	151,271,526.00	181,910,977.00
9	KEYSTONE BANK	79,727,349.00	87,786,323.00	92,325,405.00	87,099,216.00	110,260,414.00
10	UBA	80,801,947.00	78,744,100.00	79,583,738.00	64,220,901.00	94,107,683.00

Source: Annual Reports of the banks under study

S/N	BANK	2016	2017	2018	2019	2020
1	ACCESS BANK PLC	6.38	5.83	6.00	6.82	5.89
2	FIDELITY BANK PLC	4.30	5.10	4.15	3.09	2.33
3	FCMB PLC	7.34	6.91	6.63	6.32	6.55
4	UNION BANK	3.52	3.81	5.49	5.99	4.98
5	GTB	64.23	50.82	33.30	31.93	36.00
6	POLARIS BANK	4.08	11.48	16.58	12.77	4.30
7	ZENITH BANK	36.96	29.83	18.67	21.50	8.01
8	ECOBANK					

		42.17	37.61	48.44	57.48	87.35
9	KEYSTONE BANK	6.81	8.55	10.52	12.70	13.57
10	UBA	20.61	20.02	26.25	17.67	28.03

Source: Annual Reports of the banks under study

Tables 4.1 to 4.4 revealed the figures obtained for non-current assets (the determinant of independent variable) on one hand, and the figures obtained for turnover, profit after tax and return on assets (the determinants of the dependent variable), on the other hand.

The figures above were obtained as follows:

Non-current assets: It is derived directly from the annual reports

Turnover: It is obtained directly from the annual reports.

Profit after taxation: It is obtained directly from the annual reports.

Return on assets: It is derived by dividing the profit after tax by the average opening and closing total assets and multiplying by 100%.

The above data was subjected to simple linear regression analysis using the model specified in Chapter 3.

The result of the analysis and the interpretation thereon are presented below:

4.3 Test of Hypotheses

Restatement of Hypothesis one

H_0 : there is no effect of non-current asset on organization turnover/sales

H_1 : there is effect of non-current asset on organization turnover/sales

Table 4.5: MODEL SUMMARY AND ANALYSIS FOR HYPOTHESIS ONE

Summary of Test Hypothesis

Multiple R	R Square	Adjusted R Square	Beta	T.Value	No. of Observation
0.9369595	0.87789311	0.83719082	0.9369595	4.644	5
0.260994814	0.06811829 3	-0.242508942	0.260994814	-0.468	5
0.01951174	0.00038071	-0.33282572	0.01951174	-0.034	5

Source: SPSS Output (**Appendix A**)

Analysis:

The data as presented in Table 4.5 above revealed the results obtained from the banking sector for the study period of 2016 to 2020. Multiple R indicates that the correlation between the variables is 0.94 for 2016 and 2017, 0.26 for 2018 and 0.02 for 2019 and 2020 meaning that there is a positive effect. The coefficient of determination (R squared) shows that only 88% for the periods 2016 and 2017, 6.8% for the period and 0.04% for the periods 2019 and 2020 of sales is attributable to non-current asset, while the correlation of coefficient (Beta) revealed a positive effect of 0.94%, 0.26% and 0.02% for the 2016 to 2020 years of study respectively. The total numbers of observations made were 5.

Decision Rule:

Accept null hypothesis if the co-efficient of determination (R.square) is less than 0.05, otherwise reject.

Decision

On the basis of the decision rule above, it is observed that for both the periods of 2016 to 2018, the coefficients of determination (R squared) are 0.88 and 0.68, which are greater than 0.05, while the coefficient of determination for the 2019 to 2020 periods under study is 0.04, which is less than 0.05. Therefore, we conclude that for the periods of 2016 to 2018, the effect of non-

current assets on turnover is positive and significant, while for the 2019 to 2020 periods, the effect is positive but insignificant. On the overall therefore, we reject the null hypothesis and accept the alternative hypothesis which states that there is effect of non-current assets on turnover/ sales of organizations.

Restatement of Hypothesis two

H₀: there is no relationship between non-current assets and profit after tax of organizations

H₁: there is a relationship between non-current assets and profit after tax of organizations

Table 4.6: MODEL SUMMARY AND ANALYSIS FOR HYPOTHESIS TWO

Summary of Test Hypothesis

Multiple R	R Square	Adjusted R Square	Beta	T.Value	No. of Observation
0.973868526	0.948419905	0.93122654	0.973868526	7.42711056	5
0.615674471	0.379055054	0.172073406	0.615674471	1.353272402	5
0.578025975	0.334114027	0.112152036	0.578025975	1.226896843	5

Source: SPSS Output (Appendix B)

Analysis:

The data as presented in Table 4.5 above revealed the results obtained from the 2016 to 2020 periods under study. Multiple R indicates that the correlation between the variables is 0.97 for 2016 and 2017 periods, 0.61 for 2018 and 0.57 for 2019 and 2020 periods meaning that there is a positive effect. The coefficient of determination (R squared) shows that 95% for 2016 to 2017,

38% for 2018 and 33% for 2019 to 2020 of sales is attributable to non-current asset, while the correlation of coefficient (Beta) revealed a positive effect of 0.97%, 0.62% and 0.58% for the 2016 and 2017, 2018 and 2019 and 2020 periods under study respectively. The total numbers of observations made were 5.

Decision Rule:

Accept null hypothesis if the co-efficient of determination (R.square) is less than 0.05, otherwise reject.

Decision

On the basis of the decision rule above, it is observed that for the 2016 to 2020 periods of study, the coefficients of determination (R squared) are 0.95 and 0.38 and 0.33 respectively, which are greater than 0.05. Therefore, we conclude that for the five-year period under study, the effect of non-current assets on profit after tax is positive and significant, hence we reject the null hypothesis and accept the alternative hypothesis which states that there is a relationship between non-current assets and profit after tax of organizations.

Restatement of hypothesis three

H₀: there is no relevance of non-current assets on the return on assets of organizations

H₁: there is relevance of non-current assets on the return on assets of organizations

Table 4.7: MODEL SUMMARY AND ANALYSIS FOR HYPOTHESIS THREE

Summary of Test Hypothesis

Multiple R	R Square	Adjusted R Square	Beta	T.Value	No. of Observation
0.151470811	0.022943407	-0.302742125	0.151470811	-0.2654176	5

0.716590017	0.51350125 3	0.351335004	0.716590017	-1.7795	5
0.429175963	0.18419200 7	-0.08774399	0.429175963	0.823	5

Source: SPSS Output (**Appendix C**)

Analysis:

The data as presented in Table 4.5 above revealed the results obtained from the five-year period under study. Multiple R indicates that the correlation between the variables is 0.15 for 2016 to 2017, 0.72 for 2018 and 0.43 for 2019 to 2020 meaning that there is a positive effect. The coefficient of determination (R squared) shows that 2% for 2016 to 2017, 51% for 2018 and 18% for 2019 to 2020 of sales is attributable to non-current asset, while the correlation of coefficient (Beta) revealed a positive effect of 0.15, 0.72 and 0.43 for the five-year period respectively. The total numbers of observations made were 5.

Decision Rule:

Accept null hypothesis if the co-efficient of determination (R.square) is less than 0.05, otherwise reject.

Decision

On the basis of the decision rule above, it is observed that for the 2016 to 2017 years of study, the coefficient of determination is 0.02, which is less than 0.05, while from 2018 to 2020 periods under study, the coefficients of determination (R squared) are 0.51 and 0.18 respectively, which are greater than 0.05. Therefore, we conclude that for the 2016 to 2017 accounting years, there is no relevance of non-current assets on the return on assets, while for the remaining three years, non-current assets have a significant relevance on the return on assets. On the overall therefore, we reject the null hypothesis and accept the alternative hypothesis which states that there is relevance of non-current assets on return on assets of organizations.

4.4 Discussion of Findings

Having presented and analyzed the secondary data in the preceding section and relationship between the analyzed data and the decision arising from the data analysis, this section is concerned with the interpretation of the various conclusions arising from the rejection or acceptance of either null or alternative hypothesis. The hypothesis tested is aimed at investigating whether or not there is a relationship between the independent variable and the dependent variables. In view of this therefore, the following findings have been observed and subsequently discussed:

i. Non-current assets and turnover/ sales

The result of our analysis as indicated in Table 4.5 shows that there is an effect of non-current assets on turnover/ sales of deposit money banks in Nigeria. This implies that the long term effect of non-current assets on the financial performance of deposit money banks is a positive and significant one.

ii. Non-current assets and profit after tax

The result of our analysis as indicated in Table 4.6 shows that a direct relationship exists between non-current assets and profit after tax of deposit money banks in Nigeria. This implies that on the long run, investment in non-current assets will bring about increase in the profit after tax of banks, which will consequently impact positively on the financial performance of deposit money banks.

iii. Non-current assets and Return on Assets

The result of the analysis in relation to hypothesis three (Table 4.7) reveals that non-current assets have relevance on return on assets of deposit money banks in Nigeria. This implies that

the long term effect of non-current assets on the financial performance of deposit money banks is a strong, positive and significant one.

These findings are consistent with the findings of the likes of Olatunji (2014), Li (2004) and Okwo et al (2012) as far as non-current assets and financial performance is concerned. However, it is important to state that the findings of Okwo et al (2012) revealed that such relationship, although positive, is not strong, hence not significant. Moreover, to the best of the knowledge of the researcher, no other researcher has done any work on non-current assets and financial performance, using the determinants of financial performance used in this study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is concerned with the summary of the research work, especially the findings, drawing conclusions from the study and making recommendations in relation to non-current assets and the financial performance of deposit money banks in Nigeria.

5.2 Summary of Findings

In the presentation and analysis of data, using simple linear regression analysis and the SPSS software, the following findings were obtained:

- i. Non-current assets have a positive effect on the turnover/ sales of deposit money banks.
- ii. Non-current assets have a significant effect on the profit after tax of deposit money banks.
- iii. Non-current assets have a significant relevance on the return on assets of deposit money banks.
- iv. The impact of non-current assets on the financial performance of deposit money banks is significant, positive and strong.

5.3 Conclusion

The importance of non-current assets in the financial performance of organizations in Nigeria cannot be under-estimated, hence there is the need for every organization to take into consideration how to boost its non-current assets in order to improve its financial performance and overall success. In relation to this study, findings revealed that there is a positive and significant relationship between non-current assets and the financial performance of organizations in Nigeria. Therefore, every organization must endeavour to improve on its investment in non-current assets.

5.4 Recommendations

Based on the research findings and the objectives of this study, the following recommendations are made:

- i. Banks should encourage the adequate management of non-current assets to enhance speedy production that could bring about reduction in production cost and increase profitability and by extension, the financial performance of organizations.
- ii. Also, adequate provision for depreciation should be made to enhance the ease of replacement as well as modernization of worn out non-current assets in order to sustain steady production to avoid loss of sale and profitability.
- iii. Bank managers should strive to build more goodwill, which is capable of enhancing the performance of banks due to increased patronage from customers who are loyal to their companies' brands.

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