



Relationship Between Profitability and Growth in Nigeria Manufacturing Firms

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Abstract: The study is to examine the relationship between profitability and growth in manufacturing firms in Nigeria. It specifically examines the relationship between net profit margin and assets growth of manufacturing firms in Nigeria, and relationship between earnings per share and assets growth of manufacturing firms in Nigeria. Data for the study was sourced from Secondary sources from the published annual reports and accounts of the selected manufacturing firms listed on Nigeria Stock Exchange from 2008 to 2017. At the end of the study the researcher found out that there is a positive and significant relationship between net profit margin and total assets growth of manufacturing firms in Nigeria. There is a positive and significant relationship between earnings per share and total assets growth of manufacturing firms in Nigeria. Based on the findings, the study recommends among others that manufacturing firms in Nigeria should increase their net profit margin so as to grow their firms. This is because net profit margin positively and significantly relates with assets growth of the firms. The firms should increase net profit margin because the economic success is achieved by the magnitude of the net profit. The management should also be efficient in the use of organizational resources in adding value to the business.

Keywords: Profitability, Growth, Manufacturing Firms

INTRODUCTION

Background of the Study

A firm is said to be performing if it can satisfy the interests of all or most of its stakeholders. Firm stakeholders include, the shareholders, employees, suppliers, customers, creditors and so on. For every class of partners, there exist particular markers for estimating the endeavor execution, which need to demonstrate how the outcomes meet the desires for the stakeholder concerned. Put differently, business performance is assessed differently by different stakeholders according to the concepts of profitability and growth.

The most privileged of these stakeholders are the shareholders. They are the owners of the firm who invest and assume the greatest risk and as a consequence the firm must first meet their expectations before meeting the expectations of other stakeholders (Achi and Borlea, 2012). Firm stakeholders including the investors and

managers all seem to believe that the larger a firm-becomes, the more profitable it also becomes. This is very evident when searching the internet, talking to investors, listening to financial analysts or watching the news. These beliefs seem to be shared with the general public (perhaps with the exception of economists and left-wing extremists, although for different reasons (Jonsson, 2007).

This believe by most stakeholders has raised a serious question regarding the actual relationship between firms' profitability and firm's growth. Does firms' growth actually guarantee firm profitability? A scan through available literature reveals that the relationship between firm profitability and firm growth has been a subject of empirical studies for quite some time. Some studies argue that these two performance indicators are closely related, implying that as profitability increases, growth also increases and vice versa. Other studies argue that profitability and growth are inversely related, signifying

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that profitability declines when firm growth is pursued aggressively and vice versa. Yet some others argue that there is no relationship at all between firm profitability and growth. Therefore, there is no uniformity in empirical studies on the relationship between profitability and growth to date. Kathuri, (2014) for instance, suggests that firms that are more profitable are assumed to grow while firms that are less profitable assumed to lose market share.

Statement of Research Problem

A firm is comprised of coalition of partners with conflicting interests. For every classification of partners, there exist particular intrigue and markers for estimating the firm performance, which need to indicate how the outcomes meet the expectations of the partner concerned. Firm partners including the financial specialists and chiefs all appear to trust that the bigger a firm turns into, the more profitable it likewise moves toward becoming.

In any case, this is in accordance with some experimental investigations while it contradicts some others. Regardless, firm profitability and firm growth give off an impression of being the most vital expectations of partners. Profitability is the last proportion of economic achievement accomplished by an organization in relation to the capital put resources into it. On the other hand, firm growth is the ability of a firm to increase its size; which can be measured by using several determinants such as, increase in turnover or sales, increase in number of employment, increase in volume of activities or level of output, increase in total assets, increase in age of firm, branch expansion through merger and acquisition, and so on.

Profitability is the most importance aspect of running a business and its importance to firm stakeholders cannot be overemphasized. The success of a firm depends on its ability to continually earn profits. Profit is important to growing firms because profitability determine whether a firm can secure financing from a bank, attract investors to fund its operations and grow its business. Companies cannot remain in business without making profit, therefore profitability determines business survival and sustainability. Profit is essential for a business that desires to expand its operation. Consistent profit allows a firm to open other business locations, acquire another business, target other markets and expand its operations into foreign territory.

Research Objectives

The main objective of this study is to evaluate the relationship between profitability and growth in manufacturing firms in Nigeria. Specifically, this study seeks to:

- i. Examine the relationship between net profit margin and assets growth of manufacturing firms in Nigeria.
- ii. Investigate the relationship between earnings per share and assets growth manufacturing firms in Nigeria.

Research Questions

The following research questions have been raised to address the specific objectives of the study:

- i. What is the relationship between net profit margin and assets growth of manufacturing firms in Nigeria?
- ii. To what extent does earnings per share relate with assets growth of manufacturing firms in Nigeria?

Research Hypotheses

The following null hypotheses are in line with the specific objectives of objectives of the study:

- i. There is no significant relationship between net profit margin and assets growth of manufacturing firms in Nigeria.
- ii. There is no significant relationship between earnings per share and assets growth of manufacturing firms in Nigeria.

2.1 Conceptual Framework

2.1.1 Firms' Profitability

Umobong (2015) depicts productivity as the business' capacity to create profit when contrasted with its costs and other applicable expenses brought about amid a particular timeframe. The capacity of a firm to keep on existing as a going concern relies upon its capacity to create benefit or draw in value capital and extra speculators. Benefit can be characterized as the procuring of the firm or consistency of money inflows of the firm. It is impacted by various factors, for example, firm size, fares of the firm, dependence on obligation, age, settled resource development and deals development (Vijayakumar and Devi, 2011). Gainfulness is the most imperative and dependable marker as it gives an expansive pointer of the capacity of an organization to raise its pay level. Practically speaking, officials characterize benefits as the contrast between aggregate income from all winning resources and aggregate use on overseeing whole resource liabilities



portfolio (Koller, 2011).

Umobong (2015) states that organizations' productivity can be estimated by methods for gainfulness proportions. The proportions as indicated by the investigation are utilized to survey the level of benefit of a firm. They are utilized by financial specialists and different investigators in mix with venture proportions to take speculation choices.

The examination featured a portion of the gainfulness proportions to include: return on capital utilized, return on resources, return on aggregate resources, return on value, return on deals, net benefit rate or edge, net overall revenue or rate, et cetera. Vijayakumar and Devi (2011) likewise certify that arrival on resources, return on value and profit for deals are among the numerous proportions utilized in estimating firm gainfulness.

The examination state that arrival on resources estimates how well an organization utilizes its advantages for produce benefit though return on deals estimates the acquiring of the firm from each naira of offer created and demonstrates a fleeting execution of the firm. Likewise return on value estimates the capacity of the firm to procure a benefit from the cash contributed by the investors. Though return on deals gives a fleeting execution of the firm, return on resources and profit for value give a long haul perspective of the execution of the firm.

Khan and Ali (2016) allude to gainfulness as the incomes earned by firms, against their activities and acquired costs. The examination express that with the end goal to discover the benefit level of firms, productivity proportions are utilized, as it can plainly demonstrate where a firm stands as far as gainfulness at each point in time. The examination additionally clarify that the improvement of productivity is a definitive motivation behind each firm, and every one of them endeavors to accomplish ideal benefit. Kathuri, (2014) recommend that organizations that are more gainful are expected to develop while firms that are less effective or are less beneficial are accepted to lose piece of the overall industry. Beneficial firms are in a situation to increase upper hand either through the revelation of cost decreasing developments or by copying the accepted procedures of the business. A better than expected productivity prompts a firm to an ensuing development direction.

2.1.2 Net Profit Margin

Ventureline (2017) characterizes benefit for the year as the net benefit earned by the organization in the wake of deducting all costs like premium, devaluation and duty. Benefit for the year can be completely held by an organization to be utilized in the business or utilized for profits, whenever announced, and paid to the investors from this buildup. Development in benefit for it is a dynamic increment in the net benefit earned by the firm starting with one year then onto the next and it is an indication of business achievement. Pimentel, Braga, Casa and Nova (2005) state that firm productivity is the last proportion of monetary achievement accomplished by an organization in connection to the capital put resources into it. This financial achievement is controlled by the size of the net benefit. Gainfulness is the capacity to make benefit from all the business exercises of a venture. It gauges administration effectiveness in the utilization of hierarchical assets in increasing the value of the business. N'awaf (2010) opines that the measure of benefit can be a decent proportion of the execution of an organization, gainfulness is the guarantee for an organization to remain a going worry in the realm of business. Benefit can be characterized as the procuring of the firm or consistency of money inflows of the firm. It is impacted by various factors, for example, firm size, fares of the firm, dependence on obligation, age, settled resource development and deals development. Owolabi and Obida, (2012) affirm that productivity might be viewed as a relative term quantifiable regarding benefit and its connection with different components that can specifically impact the benefit.

2.1.3 Earnings Per Share

Earnings per share (EPS) show the return earned per share. It brings up whether the winning intensity of the organization has expanded or not. It symbolizes the piece of an organization's earnings, net of duties and favored stock dividend that is apportioned to each share of common stock. It alludes to the proportion of the profit after expense of the organization for any money related year after installment of inclination dividend (Islam, Khan, Choudhury, Adnan, 2014)

Earnings per share is a profitability proportion that give information to firm speculators about the estimation of a



unit of share and the sum they have earned from each kobo share put resources into the firm. The principle distinction between earnings per share and return on equity and return on assets is that EPS indicates nothing about an association's earnings beyond whether it has been profitable or misfortune making amid the period though both return on equity and return on assets demonstrate how well the firm is utilizing interest in equity and assets to create income for the firm. Because of this distinction, cross-organization earnings per share comparisons are trivial (Kelley and Hora, 2008). Dark colored (2016) additionally proposes that earnings per share is the portion of an organization's winning, net of charges and favored stock dividend, that is allotted to each share of common stock. At the point when an organization gives convincing hints that it has the limit and possibilities of earnings particularly in the long term, speculators are well on the way to be pulled in to such firm which could prompt an expansion in its earnings per share. Earnings per share is a precisely examined metric that is frequently utilized as an indicator to check an organization's profitability per unit of shareholder possession. All things considered, earnings per share is a key driver of share costs. It is additionally utilized as the denominator in the much of the time referred to value earnings proportion (P/E proportion. Earnings per share is computed by isolating the organization's aggregate earnings or salary by the quantity of shares the organization has remarkable (Ekwe and Inyama, 2014).

2.1.6 Firm Growth

Firm growth is the expansion of size of firm after some time and this includes growth of assets, or capital utilized, turnover, profit and number of representatives. A few firms stay little either by decision or conditions while different firms extend to wind up huge, either in national or international context (Pass, Lowes and Davies, 2005). Bergstrom (2000), states that firm growth is considered such an imperative proportion of firm achievement, that a few creators consider a distinction between firm growth and firm accomplishment as out of date. Vijayakumar and Devi (2011) consider growth as an ongoing, methodical and composed process and that profitability impacts it. The profit of each firm relies upon its productivity level. Diverse records have been utilized by various examinations to gauge firm growth, however the occasions

through which each firm passes stay pretty much the equivalent.

1.7 Assets Growth Rate

assets incorporate anything an organization claims that has monetary esteem, regardless of whether it can't be promptly sold. They are part into two classes, current assets, which alludes to >sets that an organization can (or will) offer inside one year, and non-current assets, which are le assets an organization can't (or doesn't plan to) offer inside a year (Kennon, 2017). Assets are the last measure of gross speculation, money and money identical, receivables and different assets as they are displayed in the announcement of budgetary position. The financial specialists audit the organization's aggregate assets previously-deciding if the business has enough existing an incentive to make a speculation. The investigation expresses that aggregate assets as recorded in an announcement of monetary position of a firm would incorporate money property, land, receivables, substantial products, impalpable merchandise, and some other material or speculation that has an incentive to the organization.

2.2 THEORETICAL FRAMEWORK

Two growth models will be used to expound the relationship between firm profitability and firm growth. The theories are: financial Constraint Growth Theory introduced by Goldenrattijn 1990 and Behaviorist Economists Growth Theory put forward by Behaviorist Economists from 1959 to 1964.

2.2.1 FINANCING CONSTRAINT GROWTH THEORY

The hypothesis was propounded by Goldratt in 1990. Goldratt contends that organization which don't make profit, does not have a support to contribute and won't have the capacity to back their growth or if nothing else their supportability, and will at long last vanish . Here, the cradle is the held. The hypothesis was propounded by Giodtrant from 1959 to 1964. The economists who presented the hypothesis include: Penrose (1959) Chandler (1962).

2.2.1 Financing Constraint Growth Theory

Hypothesis was propounded by Goldratt in 1990. Goldratt contends that organizations which make profit, does not have a support to contribute and won't have the capacity to back their worth or if nothing else their supportability, and



will at long last vanish. Here, the cradle is the earnings, which will be little if the organization does not make profit or chooses to dispense majority of its profit to the shareholders. This support equivalent to the inside capital, or, in other words outside capital as per the Pecking Order Theory. Put in another way, the hypothesis expresses that the organizations which produce profit and afterward hold it, benefits themselves of good growth openings while the organizations having no or low profits can't benefit great venture openings, so they don't develop quickly (Jang and Park, 2011).

2-3 Empirical Review

2-3.1 Net Profit Margin and Firm Growth

[Then, Yao and Zhang (2008) examined the impact of corporate resource growth on stock returns of nine (9) equity advertises in the Pacific-Basin region (PACAP) from 1981 to 2004. The examined nations incorporate Japan (a very much created economy), China (one of the most fast developing economies), and furthermore Hong Kong, Taiwan, Korea, Malaysia, Singapore, Thailand, and Indonesia. Secondary information was gathered from the Pacific Basin Capital Market Research (PACAP) databases (accessible by means of Wharton Research Data Services). The Japanese market has the longest example period from 1981 to 2004 while the Indonesian securities exchange has the most limited period from 1990 to 1998.

Fama- French (1993) three-factor display was received to process alphas for compliant portfolios. Fama-MacBeth regressions were additionally used to together analyze the effects of elective factors on resource growth impacts. Discovering demonstrates a pervasive resource growth impact in the PACAP markets amid the example period from 1981 to 2004. That is, there is an altogether negative relation between firms' advantage growth and resulting stock returns, recommending potential wasteful aspects of the region's money related frameworks in assigning capitals and esteeming venture openings.

Banchuenvijit (2012), conducted an examination to investigate the variables influencing performances of the organizations' operating in Vietnam. An example was chosen from recorded firms in Vietnam Stock Exchange. Technique for information investigation was basic regression examination which was utilized to break down the secondary intonation gathered from the tested firms.

Finding uncovers that a positive relation exists between aggregate deals and profitability of the organizations.

Okwo, Ugwunta and Nweze (2012) researched the effect of interest in non-ebb and flow assets on the profitability of distillery industry in Nigerian from 1995 to 2009. A cross sectional information was gotten from the yearly reports and records of an example of four (4) firms from in Nigeria stock trade for the period. Nigerian Breweries Pic, Guinness Nigeria Pic, International Breweries Pic and Champion Breweries Pic. Information accessibility was the significant determinants in choosing the four firms. Regression examination was utilized to investigate the secondary information got for the investigation. The consequence of the tried of speculation demonstrates that the level of interest in non-current assets does not strongly and fundamentally affect on the level of announced profit of Breweries in Nigeria.

2.3.2 Earnings Per Share and Firm Growth

Fiala and Hedija (2015) examined the relationship between firm size and firm profitability in the Czech Republic amid 2007- 2012. The investigation expects to look at to what degree the confirmation or rejection of Gibrat's Law relies upon the pointer of firm size. Firm size was estimated utilizing three markers: incomes, number of workers and aggregate assets. The examination utilizes information got from the database Albertina CZ Gold Edition. Last dataset incorporates the information of in excess of 35,000 firms recorded in Czech Stock Exchange. The legitimacy of Gibrat's law was tried with the assistance of straight regression demonstrate with first-arrange autoregressive process. Gibrat's Law is rejected for every one of the three markers of firm size. Consequently, the chose pointer of firm size isn't ended up being imperative factor in verification of Gibrat's Law legitimacy. The investigation likewise found that the little firms in profit ventures (A-N as per CZ-NACE classification) become quicker than their bigger partners in the Czech Republic.

Sumangala (2012) conducted an examination to research the effect of earnings per share (EPS) available estimation of an equity share in India amid the period of 2007 to 2011. The examination depended on information acquired from 50 inspected India firms over the five years period of the investigation. The 50 organizations that have been chosen were the initial 50 firms in the rundown of India's most



profitable organizations as per the Business Today Survey of 2010. The information obtained were earnings per share and market estimation of equity of the 50 organizations.

3.1 Research Design

This study adopted *ex-post facto* research design, whereby historical data were collected from the published annual reports and accounts of Juhel Pharmaceutical.

3.2 Area of Study

The study was conducted in Nigeria and specifically on the manufacturing firms listed on the Nigeria Stock Exchange (NSE) as at August, 2018.

3.3 Population

A total of thirty five (35) manufacturing firms listed on the Nigeria Stock Exchange (NSE) as at August 2018 constitute the population of the study.

3.4 Sources of Data

Secondary data were sourced from the published annual reports and accounts of the selected manufacturing firms listed on Nigeria Stock Exchange from 2008 to 2017.

3.5 Sample Size Determination

The researcher choose Juhel Pharmaceutical for the purpose of this study

3.6 Model Specification

The model hereunder was developed based on the variables of the study:

$$AG = p_1NPM + p_2EPS + p_3DPS + p_4ROE + s$$

Where:

AG = Assets Growth

NPM = Net Profit Margin

EPS = Earnings Per Share

3.7 Description of Variables

Assets Growth (AG): This is the amount by which a firm's

TABLE 4.1.2: VITAFOAM NIGERIA PLC

YEAR	TOTAL ASSETS GROWTH	NET PROFIT MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE	RETURN ON EQUITY
2017	0.00	0.01	0.18	0.12	0.04
2016	0.04	0.03	0.40	0.29	0.12
2015	0.07	0.01	0.20	0.28	0.06
2014	0.18	0.03	0.81	0.30	0.22
2013	(0.03)	0.02	0.48	0.30	0.15
2012	0.12	0.35	0.61	0.30	0.20

current year total assets exceeds prior year the total assets figure. It is calculated by subtracting the firm's prior year total assets from the current year total assets. When this result, is divided by prior year total assets figure and multiplied by 100, it becomes assets growth rate.

Net Profit Margin (NPM): This is the net profit earned by the company after deducting all expenses like interest, depreciation and tax divided by sales revenue.

Earnings Per Share (EPS): This is a profitability ratio that shows the portion of a firm profit allocated to each outstanding share of common stock of a firm. It is calculated by dividing profit after tax by the total number of shares outstanding.

Dividend Per Share (DPS): Dividend per share is the sum of declared dividends issued by a company for every ordinary share outstanding. It is calculated by dividing the total dividends paid out by a firm by the number of outstanding ordinary shares issued.

Return on Equity (ROE): This is a measure of profitability that calculates how many naira of profit a company generates with each naira of shareholders' equity.

3.8 Method of Data Analysis

Parsons Product Moment Correlation Coefficient was used to test the four null hypotheses formulated for the study while model summary was used to ascertain the extent to which the changes in the dependent variable (total, assets growth) is attributable to the independent variables (net profit margin, earnings per share, dividend per share and return on equity). The correlation coefficient was used to test the relationship between the independent and the dependent variables based on the data collected from the sampled firms.



2011	0.00	0.04	0.63	0.30	0.18
2010	0.71	0.05	0.63	0.30	0.21
2009	0.17	0.05	0.62	0.30	0.24
2008	0.35	0.09	0.85	0.25	0.37

Source: Published annual financial statement of the firm for various years

TABLE 4.1.3: NESTLE NIGERIA PLC

YEAR	TOTAL ASSETS GROWTH	NET PROFIT MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE	RETURN ON EQUITY
2017	(0.13)	0.14	42.55	14.42	0.75
2016	0.42	0.04	10.00	25.33	0.26
2015	0.12	0.16	29.95	20.37	0.62
2014	(0.02)	0.16	28.05	32.93	0.62
2013	0.22	0.17	28.08	19.72	0.55
2012	0.14	0.18	26.67	11.16	0.62
2011	0.29	0.17	20.81	11.77	0.71
2010	0.36	0.23	19.38	10.60	0.85
2009	0.52	0.22	14.81	11.59	0.93
2009	0.37	0.29	12.61	8.40	0.92

Source: Published annual financial statement of the firm for various years

TABLE 4.1.4: NIGERIA ENAMELWARE PLC

YEA	TOTAL ASSETS GROWTH	NET PROFIT MARGIN	EARNINGS* PER SHARE	DIVIDEND PER SHARE	RETURN ON EQUITY
2017	0.28	0.02	0.71	0.45	0.03
2016	(0.10)	0.05	2.11	0.45	0.09
2015	0.63	0.03	1.17	0.45	0.06
2014	0.40	0.03	1.36	0.45	0.07
2013	0.02	0.03	1.17	0.43	0.06
2012	(0.00)	0.03	0.99	0.42	0.06
2011	0.58	0.04	1.36	0.50	0.29
2010	0.11	0.03	1.18	0.72	0.32
2009	(0.04)	0.03	2.20	1.62	0.36
2008	0.08	0.01	0.69	0.19	0.14

Source: Published annual financial statement of the firm for various years

YEAR	TOTAL ASSETS GROWTH	NET PROFIT MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE	RETURN ON EQUITY
2017	0.15	0.19	8.23	0.98	0.17

TABLE 4.1.5: BETA GLAS NIGERIA PLC



2016	0.22	0.20	7.60	0.40	0.18
2015	0.01	0.12	3.98	0.62	0.11
2014	(0.01)	0.14	4.78	0.46	0.15
2013	0.21	0.11	3.12	0.37	0.11
2012	0.25	0.10	2.66	0.40	0.11
2011	0.09	0.14	3.55	0.48	0.16
2010	0.24	0.13	2.95	0.36	0.15
2009	(0.04)	0.13	2.77	0.30	0.16
2008	0.14	0.13	2.39	0.42	0.16

Source: Published annual financial statement of the firm for various years

TABLE 4.1.6: PZCUSSONS NIGERIA PLC

YEAR	TOTAL ASSETS GROWTH	NET PROFIT MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE	RETURN ON EQUITY
!	0.21	0.05	0.929	0.500	0.082
2016	0.10	0.03	0.536	0.610	0.049
2015	(0.05)	0.06	1.151	0.872	0.105
2014	(0.02)	0.07	1.280	2.268	0.119
2013	0.12	0.07	1.340	0.446	0.115
2012	(0.07)	0.03	0.607	0.730	0.056
2011	0.17	0.08	1.314	0.720	0.121
2010	0.14	0.08	1.335	0.603	0.137
2009	0.03	0.09	1.407	0.495	0.157
2008	(0.01)	0.08	1.103	0.647	0.134

Source: Published annual financial statement of the firm for various years

TABLE 4.1.7: BEGER PAINTS NIGERIA PLC

YEAR	TOTAL ASSETS GROWTH	NET PROFIT MARGIN	EARNINGS PER SHARE	DIVIDEND PER SHARE	RETURN ON EQUITY
2017	0.05	0.08	0.850	0.515	0.093
2016	0.05	0.09	0.773	0.561	0.086
2015	0.07	0.11	1.140	0.596	0.128
2014	0.00	0.05	0.513	0.582	0.060
2013	0.25	0.10	0.889	0.362	0.104
2012	0.09	0.08	0.883	0.700	0.108
2011	0.03	0.10	1.151	0.700	0.141
2010	0.14	0.16	2.036	0.500	0.264
2009	0.12	0.08	0.889	0.508	0.144



2008	0.01	0.06	0.684	0.420	0.122
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Source: Published annual financial statement of the firm for various years

4.2 Data Analysis

The secondary data obtained from the published annual

financial statement of the listed foods and beverage manufacturing firms in Nigeria were analyzed using Pearson Product Moment Correlation analysis and the results presented in tables 4.2.1 to 4.2.2.

Table 4.2.1: Model Summary

Model	R	Adjusted R Square	Std. Error of the Estimate	R Square
1	.796(a)	.502	2.8254	

Predictors: (Constant), PAT, EPS, DPS and ROE.

Source: SPSS Output

It can be observed from Table 4.2.1 that the coefficient of determination R² which stands at 71% shows the proportion of the total variation in the dependent variable that is explained by the independent variables. This shows that 71% of the variations in the dependent variable (total assets growth) were explained by the independent variable

while the remaining 29% of the variation was determined by other variables not included in the study. Thus, it can be said that net profit margin (NPM), earnings per share (EPS), dividend per share (DPS) and return on equity (ROE) are the major determinants of total asset growth (TAG) of the listed manufacturing firms in Nigeria whereas other factors not covered by the study were responsible for the remaining 29%.

Table 4.2.2: Pearson Product Moment Correlations

	TAG	NPM	EPS	DPS	ROE
TAG	1				
	Pearson Correlation				
	Sig. (2-tailed)	.70			
	N	70			
NPM		1			
	Pearson Correlation				
	Sig. (2-tailed)	.000			
	N	70			
EPS			1		
	Pearson Correlation	.398"	.937"		
	Sig. (2-tailed)	.001	.000		
	N	70	70		
DPS				1	
	Pearson Correlation	.494"	.835"	.870"	
	Sig. (2-tailed)	.000	.000	.000	
	N	70	70	70	
ROE					1
	Pearson Correlation	.313"	.662"	.665"	.571"
	Sig. (2-tailed)	.008	.000	.000	.000
	N	70	70	70	70

. Correlation is significant at the 0.01 level (2-tailed).

4.3 Test of Hypotheses

This study set out to evaluate the relationship between profitability and growth in manufacturing firms in Nigeria. To achieve the objective, secondary data were obtained

from the published annual financial statement of the selected manufacturing firms in Nigeria. Correlation analysis was used to test the hypotheses formulated for the study. The coefficients of the correlation when replaced in



the correlation model is represented by: $AG = 0.426PAT + 0.398EPS + 0.0494DPS + 0.313ROE + 8$

Decision rule:

Level of significance (α) = 0.05. Reject the null hypothesis if the significant value in the correlation coefficient is less than the level of significance (0.05), otherwise accept the null hypothesis. In line with this decision rule, the results of the test of hypotheses are hereby presented below:

4.3.1: Test of Hypothesis: There is no significant relationship between profit after tax and assets growth of manufacturing firms in Nigeria. It could be observed from Table 4.2.2 that the significant value of profit after tax (PAT) in the correlation model is 0.000, which is significant at 0.05 level of significance ($0.000 < 0.05$). Therefore, we reject the null hypothesis that there is market due to poor performance. Since net profit margin of the firms exhibits positive and significant relationship with total assets growth, it is consistent with Growth of the Fitter Theory.

The result is also consistent with the findings of Maggina and Tsaklanganos (2012) appraised asset growth and firm performance in Greece and found assets growth is predictable at an 85.7% rate in large companies. Robert, Mohamed and Onesmus (2015) wished to ascertain the effect of corporate size on profitability and market value of firms listed in Kenya and found a positive and significant relationship between firm size and profitability. Ting, Kweh and Chan (2014) who examined the impact of organizational growth on the profitability of Malaysian public listed firms and found that organizational growth has an impact on profitability.

The study was however inconsistent with the findings of Okwo, Ugwunta and Nweze (2012) who investigated the impact of investment in non-current assets on the profitability of brewery industry in Nigerian and found that the level of investment in non-current assets does not strongly and significantly impact on the level of reported profit.

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