EFFECT OF ASSET TURNOVER ON OPERATING PROFITABILITY OF CONSUMER GOODS COMPANIES IN NIGERIA

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ABSTRACT
The study examined the effect of asset turnover on operating profitability of consumer goods companies in Nigeria. The specific objectives are: Firstly, to determine the effect of inventory turnover ratio on net profit margin ratio of consumer goods companies in Nigeria. Secondly, to ascertain the effect of accounts receivable turnover ratio on net profit margin ratio of consumer goods companies in Nigeria. Thirdly, to explore the effect of net asset turnover ratio on net profit margin ratio of consumer goods companies in Nigeria. Three of such companies quoted in Nigeria Exchange Group were randomly selected due to availability, accessibility and comprehensiveness of data. The design considered appropriate is ex-post facto since the data were secondary drawn from annual reports and financial statements of the selected companies. The tool of analysis was multiple regression. The result showed that inventory turnover ratio and accounts receivable turnover ratio have statistically negative and non-significant effect on net profit margin ratio of consumer goods companies in Nigeria with p-values of 0.3227 and 0.3139 respectively. On the other hand, net asset turnover ratio has a negative and significant effect on net profit margin ratio of consumer goods companies in Nigeria with p-value of 0.0000. This implied that these companies may have initially reduced initial prices of their products to meet up with the competitive nature of the market. The companies might have observed efficient supply chain management that gave rise to steady stock supply without overstocking in the market. Also, the market demand may be relatively stable and less affected by drastic changes. The researcher therefore recommended that there should be strategic inventory management among the firms to overcome competition in the market. The credit policies by the firm and the government should be such that will be in line with peculiar market characteristics. Besides, the management should focus on strategic asset investment that will trigger efficiency in operation and profits towards sustainable growth.

KEYWORDS: Asset turnover, Operating profitability, Consumer goods company

INTRODUCTION
Profitability in business operations have been considered a yardstick for a continuous existence of companies in Nigeria, consumer good companies inclusive. Jayathilaka (2020) operating profit remains one of the paramount goals of my corporate organizations irrespective of the size and has equally become a critical metric for evaluating a company’s performance, long-term survival and development. He further added that in order to withstand competitiveness and as well promote long-term prosperity there is every tendency that such companies must make profit. It is also added advantage for making up a going concern principle of an accounting entity as such companies are established to exist for a foreseeable future. Accumulation of the desired profits by the companies depends on the quantity and rate of sales of their products.

Emphasis on selling goods or services of a firm can help such firm to accomplish its primary goal of profit making which culminates the affirmation of Nasution (2020) that the profit created by a corporation is proportional to the volume of goods and services sold. That is turnover. It therefore implies that for consumer goods companies to be sustained there must be a substantial inventory and as well inventory turnover. Inventory is of considerable value among the current assets of a trading company. To increase profitability is to increase turnover of inventory. The higher the turnover of inventory the higher the ability to suppress militating costs against profitability.

Nasution (2023) opines that the higher the inventory turnover the higher the firm’s profitability and vice versa. He further expressed that to achieve a high level of inventory turnover factors like regular processing of inventory, efficient improvement on the quality of goods and accomplishing customers expectation in terms of the product or service they want must be taken into adequate consideration. In Oluwabunmi and Aminu (2020) smooth operation of a company is impaired by insufficient inventory while excess inventory increases costs which can decrease income. Therefore, there is every need for proper inventory management to enhance turnover and profit. With profits the companies can attend to its other objectives of going concern and corporate social responsibility.

Besides, rate of turnover of firm’s merchandise enhances operating profit which will ultimately increase net income and net income indicates healthy company (Jayathilaka, 2020).

Bekmezci (2015) asserts that profitability is one of the most essential factors that signal management’s success, shareholders satisfaction, and investor’s attraction as the most beneficiaries of the company’s successful operation and can trigger the company’s sustainability. The managers will access the success level and be able to use it as a bench mark for future anticipated endeavors which they will not fall below. The shareholders confidence will be built on it as they will be convinced that their share capital are yielding dividend. And the investors will now be assured that their investments in such firms are yielding returns that can attract more investment. Against this backdrop is this study the “Effect of Asset turnover on operating profitability of consumer goods companies in Nigeria.”
Statement of the problem
Operations in the activities of trading firms such as consumer goods firms in Nigeria is to provide products or services for sale to target customers. When such are sold it is expected to make enough profit to offset operation cost and have surplus for its shareholders and to plough back as retained earnings to enhance the capital base as well as meet up other obligations.

However, in recent time these motives are hardly achieved. In trading activities of these firms in Nigeria are challenges of profit emanating from turnover of the firm’s products and services. These may be as a result of certain mitigating factors such as poor inventory management, insufficient turnover, imbalance between the cost of production and selling cost. This therefore makes it difficult to maximize profit to meet up targeted obligations for sustainability. Against this backdrop is this study. Effect of asset turnover on operating profitability of consumer goods companies in Nigeria.

Objectives of the study
The broad objective of the study is to examine the effect of asset turnover on operating profitability of consumer goods companies in Nigeria while the specific objectives are:

1. To determine the effect of inventory turnover ratio on net profit margin ratio of consumer goods companies in Nigeria
2. To ascertain the effect of accounts receivable turnover ratio on net profit margin ratio of consumer goods companies in Nigeria
3. To explore the effect of net asset turnover ratio on net profit margin ratio of consumer goods companies in Nigeria.

Statement of hypothesis
H01: Inventory turnover ratio has no significant effect on net profit margin ratio of consumer goods companies in Nigeria.
H02: Accounts receivable turnover ratio does not have significant effect on net profit margin ratio of consumer goods companies in Nigeria
H03: Net asset turnover ratio has no significant effect on net profit margin ratio of consumer goods companies in Nigeria.

REVIEW OF RELATED LITERATURE
Conceptual review
Asset turnover/Asset turnover ratio
This explains the ratio of total sales or revenue to average assets. It is an indicator of the efficiency with which a company is deploying its assets to produce revenue. It therefore suggests that companies with low profit margin tends to have high asset turnover while those with high profit margin have low
Asset turnover. Asset turnover is a financial and profitability ratio that measures the efficiency of a company’s use of its assets in generating sales income or revenue. Investors use it to understand how effective companies are using their assets to generate sales and to compare similar companies in the same sector.

**Inventory turnover ratio**

Inventory turnover refers to the ratio between the cost of goods sold to the average inventory showing how quickly the inventory can be sold (Nasution, 2020). Oluwabunmi, et al (2020) opine that inventory turnover explains the movement at which inventories undergo through the firms distribution center and measures how the present resources develop. Simply put how fast the firm turns on the inventory. Occasions that inventory is transformed into money is inventory turnover (Namagembe & Munene, 2016). It further briefs the mobility at which the exchanging firms sell its inventory in a year. The potential for rapid inventory turnover indicates a firm’s performance in using its inventory investments. It is said that an unreasonable long inventory holding period could signify economic recession, outdated inventory, weak sales and marketing, shift in consumer task or poor management inventory (Oluwabunmi, et al 2020). It is calculated by dividing cost of goods sold by average inventory.

**Account receivable**

Account receivable refers to the amount of cash a company customer give for goods or services after purchases but not yet paid for. This means that trade credits create account receivable. It is one of the largest assets known to a company and vulnerable to bad debts and losses but cannot be forgone. The necessity of account receivable is due to business growth, protection of sales from being eroded by competitors, attracts potentials customers, maintains adequate liquidity and profitability for business survival (Onuora & Ifeacho, 2017). It can also be called debtors turnover.

**Account receivable turnover ratio**

This is an accounting measure indicating how efficient a company collects receivable from clients. Simply put it measures the number of times receivables/credit sales are converted into cash during a certain period of time. The account receivable turnover ratio is gotten by dividing net sales by average account receivables.

**Net Asset turnover ratio**

Net asset simply means the difference between, total assets amount and total liabilities amount. It is comprehensively used to determine financial health of a company.

**Net profit margin**

This is simply net profit of an operation for a particular period divided by revenue of that same period.
That is \( \text{Net profit margin} = \frac{\text{Net profit}}{\text{Revenue/sales}} \)

**Operating profit**

Generally operating profit is also referred to as earnings before interest and taxes (EBIT) (Jayathilaka, 2020). It therefore implies the profit calculated by excluding the interest expenses incurred for financing and the taxes paid to government. When calculating operating profit only operating expenses (expenses incurred through normal business operations) are subtracted from gross profit. Profitability unveils how well a firm manipulates its assets from its primary mode of business to generate income over a given period of time.

**Consumer goods companies**

Consumer goods companies are companies whether private or public that carries out an activity relating to any of the good’s production, processing or distribution whether for profit making or not for profit making. Among the food companies in Nigeria are: Nestle Nigeria Plc, Honeywell flour mills Plc, Dansa foods Ltd., Nascon Plc, Cadburry Nig plc, Unilever Plc etc.

**Theoretical framework**

The study is associated to operational motive theory, transaction cost theory and Economic order quantity model.

**Operational motive theory**

This theory was propounded by Emery in 1987. It explains the rate of trade credit in smoothing demand and reducing cash uncertainty in the payment (Ferris, 1981). It is a relevant theory to the study because it shows that when credit tightens, financially stable firms will increasingly offer more trade credit to maintain their relationships with smaller customer who are “rationed” from direct credit market participation (Munene & Tibbs, 2018). Consequently, it is expected that companies with greater increase in sales will use more trade credit to finance new investment in current assets.

**Transaction cost theory**

This theory was propounded by Schwartz in 1974. It forms that suppliers may have an advantage over traditional lenders in checking the real financial situation of the credit worthiness of their clients. Suppliers also have better ability to monitor and force repayment of credit. The theory reduces transactions costs by allowing the parties to separate payment and delivery cycles when delivery is uncertain. The customer can lower the transaction demand for cash if payment can be separated from delivery.

The theory is a relevant one to the study since it concerns efficiency especially in transaction costs. It requires the firm to compare all costs involved with the costs of production and transaction within the
firm versus the production and transaction costs associated with outsourcing. It concerns mainly average payment period by customers.

**Economic order quantity model**
This model was developed by Ford W. Harris (1915). It is a mathematical model formulated within the scope of operations management to determine the optimal inventory level that takes into account the inventory carrying costs, stock out costs and total costs which aids in determining appropriated quantity to hold. The study is anchored on Economic order quantity model as it is the closely related to the proxies and equally established link between turn over and operating profitability.

**Empirical Review**
Effect of inventory turnover ratio on net profit margin ratio of consumer goods companies in Nigeria Oluwabunmi, et al (2015) studied effect of inventory management practices on the organizational performance of food and beverage companies in Kwara State Nigeria. As a descriptive design research, it was analyzed using descriptive frequency and percentage and inferential regression analysis statistics using SPSS version 23 software. It was then revealed that inventory management practices have a significant positive effect on the organizational performance of food and beverages companies in Kwara State.

Awogbemi and Taimako (2018) carried out research on the impact of inventory management practices on organizational performance. Using multiple regression analysis, it was discovered that inventory planning, inventory valuation, and inventory control has a significant impact independently and jointly on operational efficiency, timely delivery, cost reduction and profitability of organizations under study. Kamau and Kagiri (2015) undertook study on the influence of turnover management practices: An organizational competitiveness. A case study of Safiricom Kenya limited. Through descriptive and inferential analysis, it was disclosed that inventory management practices are very much needed in organizational competitiveness and that it affects profit maximization, market share growth, product quality targeting, consumer satisfaction, and return on investment of the firm’s understudy.

Imeokpara (2013) conducted a study on the relationship between inventory management system and performance of food and beverages companies in Nigeria. Secondary data obtained from annual reports of the companies under study were analyzed using simple and multiple regression models. The result indicated significant relationship between inventory management and control and the performance of the companies.

Adesunloro and Egbewole (2022) explored the effect of inventory cost on the financial performance of food and beverage manufacturing companies in Nigeria. As an ex-post-facto design research, the data gathered was regressed to discover that inventory cost has significant effect on profitability of the firms.
Effect of accounts receivable turnover ratio on net profit margin ratio of consumer goods companies in Nigeria
Kuraesin et al (2023) took a study on the effect of accounts receivable turnover on profitability in manufacturing companies listed on the Indonesia stock exchange (IDX) for the 2015 – 2020 period. The tool for analysis was multiple regression with SPSS version 22. The result revealed that partial turnover of receivables has a positive and statistically significant effect on profitability in the manufacturing companies studied.

Abubakar and Olowe (2019) conducted research on accounts receivable management and financial performance of selected quoted firms in Nigeria. Analysis using multiple regression found that accounts receivable ratio, debt ratio and revenue growth showed a positive significant impact on financial performance of selected quoted firms in Nigeria.

Mabele (2018) examined the impact of accounts receivable management practices on the performance of PSVs Insurance companies in Kenya. Regression and correlation analysis were used. Findings showed positive relationship between accounts receivable management and performance of PSVs Insurance companies.

Onuora and Ifeacho (2017) studied the effect of credit management on profitability of manufacturing firms in Nigeria. A case study of selected companies quoted in Nigeria stock exchange. Multiple regression was used in the analysis. It was discovered that credit policy and liquidity management have negative significant relationship to return in assets while debtors’ turnover has positive significant effect on return on Asset.

Effect of net asset turnover ratio on net profit margin ratio of consumer goods companies in Nigeria
Sudirman et al (2020) undertook a study on the effect of current ratio and debt to asset ratio on net profit margin and stock prices: A study of basic industry and chemical companies listed on the Indonesia stock exchange market 2015 – 2019. After regression analysis the following were discovered: Direct current ratio had a positive and significant effect on the net profit margin, and stock prices while debt to equity ratio do not have significant influence on net profit margin but has a negative and not significant effect on stock prices.

Chijioke et al (2022) explored the impact of liquidity on Assets turnover and the profitability of selected Breweries in Nigeria. Linear regression model and ordinary least square model was used in the analysis. It was discovered that there is significant relationship between current ratio and ROA while there is significant relationship between quick ratio and ROA.

Pibowei (2019) examined inventory liquidity management and return on investment in Dangote cement company. After analysis it was expressed that there was no significant relationship between quick ratio and ROA, no significant relationship between quick ratio and ROE.
Odukwu et al (2022) investigated the influence of liquidity and profitability on profit growth of Nigeria pharmaceutical firms. The result of the analysis revealed that current ratio, liquidity ratio and quick ratio had a statistically significant link with profit growth rate. Also, the profit growth rate has no significant statistic link with the profitability ratio of net profit margin and ROA.

The study conducted by Elumah and Shobay (2018) on the performance analysis of Nigerian brewery industry found that the firms studied were efficient in usage of assets to generate profit and return on investment while the financial risk was low.

2.5 Gap in literature.
The works of the authors reviewed above established that none among them have researched on the topic "Effect of asset turnover on operating profitability of selected consumer goods companies quoted on Nigeria Exchange Group". Also, variables such as inventory turnover ratio, account receivable turnover ratio, and net asset turnover ratio were used as independent variables and proxied with net profit margin ratio as dependent variable established another gap.

METHODOLOGY
The research design adopted for this study is ex-post facto design since the data for the analysis were got from secondary sources. The population of the study consisted of all the 22 top popular consumer goods companies quoted on Nigeria exchange group. Evidence attached as appendix. The sample were three (3) consumer goods companies selected out of the entire population of the companies listed in the Nigerian exchange Group due to availability, comprehensiveness and accessibility of data.

Multiple regression model was the method used for the analysis. This was as a result that it predicts the value of a variable based on the value of two or more other variables (independent variable). It also specifically informed which among the independent variables affected the dependent variable and determined the form of these effects.

Thus, a regression model relating ‘Y’ to a function of ‘X’ and β is:

\[ Y = f(x, \beta) \]

Where:  
\( Y \) = Dependent variable  
\( F \) = Function of  
\( X \) = Independent variables  
\( \beta \) = Coefficient of independent or explanatory Variables (unknown parameter)
Thus; Net Profit Margin = f (inventory turnover ratio, account receivable turnover ratio and net Asset turnover ratio, β)

Implicitly, NPM = f (INVTOR, ARTOR, NATOR, β)

Stochastic explicit form = NPM = b_0 + b_1 INVTOR + b_2 ARTOR + b_3 NATOR + β

Natural logarithm = ln NPM = ln b_0 + ln b_1 InINVTOR + ln b_2 InARTOR + ln b_3 InNATR + β

Where:

ln NPM = National Logarithm of dependent variable

b_0 = Regression constant

b_1 = b_2, b_3 = parameter coefficients

lnINVTOR = Natural logarithm of inventory turnover ratio

lnAR

TOR = Natural logarithm of account receivable turnover ratio

lnNATOR = Natural logarithm of Net Asset turnover ratio

Data Presentation
The data utilized for the analysis were sourced from the annual reports and financial statements of selected consumer goods companies listed on the Nigeria Exchange Group. It is important to note that data for unlisted firms within the same industry was not accessible, and as a result, these entities were not considered in this study. For a visual representation of the panel data employed in the analysis, please refer to Appendix A.

Data Analysis
Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>NPMR</th>
<th>INVTOR</th>
<th>ARTOR</th>
<th>NATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.170308</td>
<td>88.41318</td>
<td>77.78705</td>
<td>0.921787</td>
</tr>
<tr>
<td>Median</td>
<td>0.085011</td>
<td>9.882913</td>
<td>6.322658</td>
<td>0.843750</td>
</tr>
<tr>
<td>Maximum</td>
<td>1.102573</td>
<td>2139.271</td>
<td>2053.995</td>
<td>1.663110</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.059427</td>
<td>1.222452</td>
<td>0.133178</td>
<td>0.022452</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.241834</td>
<td>387.8123</td>
<td>373.4872</td>
<td>0.396294</td>
</tr>
<tr>
<td>Skewness</td>
<td>2.708203</td>
<td>5.179580</td>
<td>5.188824</td>
<td>-0.187290</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>10.16992</td>
<td>27.90000</td>
<td>27.96237</td>
<td>2.876313</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>100.9315</td>
<td>909.1527</td>
<td>913.5196</td>
<td>0.194511</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.907324</td>
</tr>
<tr>
<td>Sum</td>
<td>5.109254</td>
<td>2652.395</td>
<td>2333.612</td>
<td>27.65360</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>1.696032</td>
<td>4361554.</td>
<td>4045288.</td>
<td>4.554416</td>
</tr>
<tr>
<td>Observations</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Source: Eviews 10.0 Statistical Software (2023)

Table 1 presents the variable description of the panel data consisting of 30 observations for the sampled food companies. The coefficients of Skewness, Kurtosis, and Jarque-Bera Probability provide insights into the normality of the distribution of the data.
Table 2: Regression Analysis Output

Dependent Variable: NPMR
Method: Panel Least Squares
Date: 08/21/23   Time: 07:55
Sample: 2012 2021
Periods included: 10
Cross-sections included: 3
Total panel (balanced) observations: 30

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVTOR</td>
<td>-0.000074</td>
<td>0.000073</td>
<td>-1.009772</td>
<td>0.3227</td>
</tr>
<tr>
<td>ARTOR</td>
<td>-0.000078</td>
<td>0.000076</td>
<td>-1.028548</td>
<td>0.3139</td>
</tr>
<tr>
<td>NATO</td>
<td>-0.613791</td>
<td>0.103540</td>
<td>-5.928082</td>
<td>0.0000</td>
</tr>
<tr>
<td>C</td>
<td>0.748678</td>
<td>0.099181</td>
<td>7.548582</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Effects Specification

Cross-section fixed (dummy variables)

<p>| | | | | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.695200</td>
<td>Mean dependent var</td>
<td>0.170308</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.631700</td>
<td>S.D. dependent var</td>
<td>0.241834</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.146764</td>
<td>Akaike info criterion</td>
<td>-0.823128</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.516951</td>
<td>Schwarz criterion</td>
<td>-0.542889</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>18.34692</td>
<td>Hannan-Quinn criter.</td>
<td>-0.733477</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>10.94803</td>
<td>Durbin-Watson stat</td>
<td>2.157654</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000014</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Eviews 10.0 Statistical Software (2023)

The Adjusted R2 value of 0.631700 indicates that approximately 63% of the variations in net profit margin ratio in Nigerian consumer goods companies can be explained by the independent variables considered in the model. The remaining 37% can be attributed to other factors that influence net profit margin ratio within the industry, as well as factors captured within the error term.

The significance of the model as a whole is evaluated using the f-statistic. In this case, the p-value (0.000014) is less than the 5% critical value, indicating that the model is statistically significant and...
well-fitted. This implies that the independent variables collectively have a substantial effect on the net profit margin ratio in the Nigeria consumer goods sector.

The Durbin Watson Statistic, with a value of 2.16, provides insights into the presence of positive autocorrelation within the time series data. A value of 2.16 suggests that there is an absence of positive autocorrelation, indicating that the observations in the data are not significantly correlated with each other over time.

Test of Hypothesis

The three formulated hypotheses in section one was subjected to empirical testing using the following decision criteria.

**Decision Rule:** The decision rule, as outlined by Gujarati and Porter (2009), suggests that the null hypothesis (H0) should be rejected if the calculated P-value is less than 0.05 and the associated t-statistic is greater than 2. Conversely, if these criteria are not satisfied, the null hypothesis should be accepted, leading to the rejection of the alternative hypothesis (H1). This rule provides a standard approach for making decisions based on statistical significance in hypothesis testing.

**Presentation of Test Result**

Table 4.2.2 Regression analysis result was used to test the stated hypotheses.

**Test of Hypothesis One**

H_0 Inventory turnover ratio do not significantly affect net profit margin ratio of consumer goods companies in Nigeria.

**Decision:** From the regression analysis result in Table 4.2.2, the p-value for inventory turnover ratio is 0.3227 which is greater than the alpha value of 0.05. Also, the t-statistic of -1.009772 is less than 2. It falls in the acceptance region; hence, we accept the first null hypothesis (H0). The conclusion here is that inventory turnover ratio has a statistically negative and non-significant effect on net profit margin ratio of consumer goods companies in Nigeria.

**Test of Hypothesis Two**

H_0 Account receivables turnover ratio do not significantly affect net profit margin ratio of consumer goods companies in Nigeria.

Decision: From the regression analysis result in Table 4.2.2, the p-value for account receivables turnover ratio is 0.3139 which is greater than the alpha value of 0.05. Also, the t-statistic of -1.028548 is less than 2. It falls in the acceptance region; hence, we accept the second null hypothesis (H0). The conclusion here is that account receivables turnover ratio has a statistically negative and non-significant effect on net profit margin ratio of consumer goods companies in Nigeria.
Test of Hypothesis Three

**H₀** Net asset turnover ratio does not significantly affect net profit margin ratio of consumer goods companies in Nigeria.

**Decision:** From the regression analysis result in Table 4.2.2, the p-value for net asset turnover ratio is 0.0000 which is less than the alpha value of 0.05. Also, the t-statistic of -3.299741 is greater than 2. It falls in the rejection region; hence, we reject the third null hypothesis (H₀). The conclusion here is that net asset turnover ratio has a statistically negative and significant effect on net profit margin ratio of consumer goods companies in Nigeria.

**DISCUSSION OF FINDINGS**

From the test of hypothesis one it was revealed that inventory turnover ratio has a negative and non-significant effect on net profit margin ratio of food companies in Nigeria. This contradicted the result of Oluwabunmi et al (2015) which states that inventory management practices have a significant positive effect on the organizational performance of food and beverage companies in Kwara state.

The result of hypothesis two posed that account receivable ratio has a statistically negative and non-significant effect on net profit margin ratio of consumer goods companies in Nigeria. This supports the study of Onuora & Ifeacho (2017) which revealed that credit policy and liquidity management has negative significant relationship to return on asset. Conversely, Kuraesin et al (2023) stated that partial turnover of receivables has a positive and statistically significant effect on profitability in the manufacturing companies.

The result of hypothesis three indicated that net asset has a statistically significant effect on turnover of food companies in Nigeria. This supported Odukwu et al (2022) who opined that current ratio, liquidity ratio and quick ratio has a statistically significant link with profit growth rate. And that profit growth rate has no significant statistical link with profitability ratio growth of net profit margin and ROA. This was contradicted by Pibowei (2019) which states that there were no significant relationship between quick ratio and ROA and also non–significant relationship between quick ratio and R

**SUMMARY OF FINDINGS**

The findings are summarized as follows:

i. Inventory turnover ratio has a statistically negative and non-significant effect on net profit margin ratio of consumer goods companies in Nigeria with a t-statistic of -1.009772 and a p-value of 0.3227.

ii. Accounts receivable turnover ratio has a statistically negative and non-significant effect on net profit margin ratio of consumer goods companies in Nigeria with a t-statistic of -1.028548 and a p-value of 0.3139.

iii. Net asset turnover ratio has a statistically negative and significant effect on net profit ratio of consumer goods companies in Nigeria with a t-statistic of -5.928082 and a p-value of 0.0000.
CONCLUSION
In conclusion, the findings and insights drawn from the analysis of the effect of asset turnover on operating profitability within the context of consumer goods companies in Nigeria present a multifaceted understanding of the intricate relationships that shape operational efficiency and financial performance. The research has illuminated a series of counterintuitive outcomes that challenge conventional expectations. The negative and non-significant effects observed between inventory turnover ratio and net profit margin ratio as well as between accounts receivable turnover ratio and net profit margin ratio, demonstrate that the interplay between these variables is far more complex than initially anticipated. These results underscore the necessity of considering nuanced factors such as market competition, customer relationships, and industry norms when interpreting the effects of these operational metrics on profitability.

Furthermore, the negative and significant effect of net asset turnover ratio on net profit margin ratio sheds light on the delicate balance between asset efficiency and profit margins. This relationship highlights the need for food companies to adopt a holistic approach to asset allocation, investment decisions, and growth strategies. The findings underscore the importance of strategic thinking that considers both short-term profitability and long-term sustainability.

RECOMMENDATIONS
Based on the findings it was recommended that:

i. Given the competitive nature of the ratio of consumer goods industry in Nigeria, firms in this sector should focus on strategic inventory management. They should analyze demand patterns and optimize stock levels to prevent overstocking or stock outs. While higher inventory turnover is desirable, they should ensure that it aligns with maintaining competitive prices.

ii. The consumer goods industry in Nigeria should direct their credit policies to the Nigerian market's unique characteristics. They should recognize the importance of strong customer relationships in the consumer goods industry, offer flexible credit terms that foster customer loyalty while closely monitoring payment cycles.

iii. Given the competitive market and potential pricing pressures consumer goods industry in Nigeria should focus on strategic asset investment. They should invest in assets that directly contribute to sales growth and operational efficiency.

REFERENCES


