

## **EFFECT OF ASSETS UTILIZATION ON NET WORTH OF BIG CAP COMPANIES QUOTED IN NIGERIA.**

**\*Ofor Theresa Nkechi \*\* Farajimakim Abiodun Sunday**

\*Faculty of Accountancy, Chukwuemeka Odumegwu Ojukwu University, Nigeria

\*\*Faculty of Accountancy, Chukwuemeka Odumegwu Ojukwu University, Nigeria

### **Abstract**

This study investigated the effect of assets utilization on net worth of big cap companies quoted in the Nigeria Stock Exchange Market between 2012 and 2016 financial year. In this study, four specific objectives, research questions and hypotheses were formulated. Ex-post facto research design was utilized while Secondary sources of data derived from the panel data collected from annual financial report of twenty companies with high market capitalization. The data collected was analysed using panel ordinary least square regression analysis, however the study also conducted some preliminary analysis such as descriptive statistics and correlation analysis. The study reveals that both current assets (CASU) and tangible non-current asset (TNCAU) are positively and significantly affecting the net worth of companies with big market capitalization in Nigeria at 10% significant level. The study recommends that managers of companies with large market capitalization in Nigeria should embark on aggressive investment move that will increase their assets utilization because of its ability to drive net worth of their firms positively.

**Keywords:** Market capitalization, Current asset, Non-current tangible asset, Intangible asset, Net worth

### **Introduction**

The desire to succeed in a highly competitive business environment has placed a greater responsibility on managers which require them to effectively and efficiently use firm resources in achieving shareholders wealth creation and other objectives of the firm (Mathuva 2009). Hence, the effective utilization of firms resources made available to managers in achieving organizational objective can be a major performance measure and a distinguishing factor between effective and ineffective managers. According to Robert (2011), this privilege most often may increase the manager's investment opportunity set, (though corporate governance help to regulates it), this may increase the difficulty on the shareholders side in evaluating the executive's behaviour toward assets utilization thereby contributing to the information asymmetry problems.

This scenario reveals the kind of relationship that can exist between managers and shareholders when it comes to assets utilization and Net worth of firm. Despite the importance of the assets utilization to firm Net worth, less empirical work has been done in this direction. In Nigeria for example, few studies have been done in this area and these prior studies examined the effect of assets utilization on firms, using performance indicators (egs Nunes, Zelia & Matos, 2017; Ubesie & Ogbonna, 2013; Leszek, 2013; Feifei, Shaw & Sze (2013); Skoogh & Sward 2015; Heitor & Murillo 2013). In this study therefore, we investigated the effect of assets utilization net worth of big cap firms in Nigeria which to the best of our knowledge have not been done before and this is the gap our study filled in knowledge. The remaining parts of this study is organized as follows; section two presents the review of related literature, section three is the methodology, presentation and interpretation of results is seen in section four while section five presents the summary of findings, conclusion and recommendations.

## **Review of Related Literature**

**Net worth:** Net worth is the total assets value minus total liabilities of a company. It is based on the value of all assets and liabilities at the carrying value i.e. the value in the financial statement. The proceeds on disposing the company's asset belongs to the owners of the company i.e. the equity share holders of the company. Hanson (1997) maintained that this value is equal to the equity holding of companies. In determining the value of net worth of a business, all assets (tangible and intangible) are included in the calculation while in the determination of the value of net assets (tangible net worth), goodwill, trademark and patents are excluded.

**Tangible net worth** = (net worth Net assets / tangible net worth = (net worth - net tangible assets).

**Net worth** = ((total capital – paid up preference capital) + (share application suspense money – preference share application – money – preference capital suspense account) + (reserve – revaluation reserves – miscellaneous expenses written off)).

**Asset Utilization:** Assets utilization is a tool used in identifying asset opportunity gap (Ubesie & Ogbonna, 2013). It can help firm managers in uncovering hidden asset capacity by measuring the difference between what the assets is capable of producing and what it actually produced (opportunity gap). The effective and efficient utilization of assets can play a vital role in determining the level of development of firm and its cash flow.

## **Intangible Noncurrent Assets Utilization**

Intangible assets are non-physical asset which are strong sources of future economic gain and to some degree they can be retainable and tradable (Lev & Daum 2004). Intangible assets includes Research and Development (R&D), patents, trademarks, human resources and capabilities, organisation competencies (like database and technology), and "relational" capital (e.g. customer and supplier networks, organisational design and process) (OECD 2006). Hekimian and Jone (1976) further classify intangible asset as comprising of human capital, information based, management skill, reputation, brand name, consumer information and corporate culture. They could also be relational or competence (Hane & Lawanda 1997). Rational resource includes, client loyalty, reputation, organisation structures, competence represented by intangible capital, skill, expertise, structure capital, innovation capital, process capital, consumer capital are the most significant component of intangible assets which define the long-run survival, profitability and competitiveness of every organisation.

## **Tangible non-current Assets Utilization**

Tangible non – current asset are the immovable assets which cannot be easily converted into cash. The tangible non – current asset constitute major proportion of total assets of manufacturing firms. However, the quality of those tangible non – current assets can be a key in determining the quality of product and the long run survival plan of the firm. The management effective and efficient use of noncurrent assets can be measured with fixed assets turnover. Ibam (2008) believe that a firm's investment in tangible non – current asset is dependent to a large extent on its line of business. This hold true as some businesses operates in capital intensive industry like oil and gas than other operating in industry with less capital concentration. Most firms operating in oil and gas or other natural resources sector need large and technology driven non-current assets than firms in service sector whose assets in majorly intangible in nature.

## **Big Cap (big capital) Firms**

Market capitalization is the total naira market value of a company's outstanding shares, commonly referred to as "market cap," and it is calculated by multiplying a company's shares outstanding by the

current market price of the shares. Using market capitalization to show the size of a company is important because company's size is a basic determinant of various characteristics in which investors are interested, including risk. Big CAP companies constituted about 35 percent of the total companies quoted in the Nigeria stock exchange.

The Nigerian Stock Exchange categorized companies using their market capitalization and firms having 10 billion naira and above are considered as companies with big market capitalization.

### **Theory of benchmark**

This study is anchored on the Net worth increasing theory because of its efficacy in explaining the uses, merits of net worth and the various sources of cash flow. However, there are other theories that can be relevant in explaining the relationship between assets utilization and cash flow. Theories like; Resource based theory, Capital assets theory. Net worth increasing theory was propounded by Becker in 1964. According to the theory, the function of the financial position is only for the determination of the net worth as at the end of a period. Two meanings can be generally derived from the determination of the net worth. One involves the exactness of the respective amount of assets and liabilities while the other is concerned only with the amount expressed as the difference of those two in utter disregard of the method of assets valuation adopted which will determine the amount. Net worth is therefore calculated as assets — liabilities. The validity of this equation premises the immediate liquidation and winding up. The subtraction of the liabilities from assets means the payment of all the liabilities owed by the enterprise, from the assets possessed by the enterprise. In determining the value of assets and liabilities the method to use also affects the net worth of a company.

### **Empirical Review**

Mou (2014) examines the impacts of asset utilization on financial performance of listed firms in Shanghai Stock Exchange. The study used return on equity and return on assets as the proxy for firm performance and measure asset utilization as total asset turnover ratio over current ratio. The study used regression analysis and finds a positive and significant relationship between assets utilization and firm performance. The result indicates that asset utilization has effect on financial performance of firms listed on Shanghai Stock Exchange.

In a related study by Owumi (2015) on the impact of fixed asset management on the profitability of textile mill firms in Pakistan between 2010 and 2014. The study was based on ex-post facto and secondary data that was analysed using the ordinary least square regression analysis. The findings show that there is a significant relationship between net profit and the fixed assets. The study also revealed that investment in fixed asset does not have impact on the profitability of textile firms in Pakistan.

Similarly, a related study was carried out using Nigerian brewery industry, that examined the relationship that exist between investment in fixed assets and firm performance by Okwo, Ugwunta and Nweze (2012). In the study, pool data was gathered from the annual report of the sampled brewery firms within the period of 1995 and 2009. The study found a positive relationship between fixed asset management and financial performance. However, the level of effect is not strong on the operating profit of brewery firms in Nigeria.

Dennis (2014) examined current asset management practices of selected SMES in Nairobi Kenya. The stratified random sampling was used in the selection of the Small and medium enterprised firms used. The study was descriptive research design and used primary data collected with questionnaire. The study found that SMEs depend mostly on internal source of financing for investment and expansion.

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 2007 to 2011, 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.

The study of Job and Mwaniki (2017) examined the effect of asset structure on the financial performance of firms quoted under service sector of Nairobi Stock Exchange within the period of 2010 and 2014. The study measure asset structure using, property, plants and equipment; current assets; intangible assets; and long term investments. Secondary data used was collected from the annual reports of the selected firms, and found that asset structure had a significant effect on the financial performance of firms. The study reveals that non-current asset has more impact on the financial performance on the financial performance of firms while current assets and intangible assets do not have statistical significance on financial performance.

Sayeed and Hogue (2009), examine the effect of assets and liability management on profitability using public commercial bank in Bangladesh. The secondary data collected was analysed using ordinary least square. The result showed that assets management have positive impact on income of the public banks. An effect managed asset increase the bank value and shareholder wealth.

Lähtinen, (2009) evaluates the impacts of resource usage on financial performance of Finnish Sawmills in the 2000 to 2007. The study was based on descriptive design and used secondary data collected from the financial report of the firm. The finding reveals that raw material, reputation and services, collaboration and technological know-how have effect on the financial performance of Sawmills. The reputation, services and collaboration have the highest strategic potential while the strategic capacity of raw material and technological know-how in enhancing the competitiveness of Sawmills are ambiguous.

Eljelly (2004) posits that current asset management is the process of planning and monitoring investment in current assets to eliminate the risk of defaulting in the short-term obligations and to also avoid over investment in these assets. In order for a firm to generate shareholder value, the firm's financial managers need to efficiently manage the current assets. Current assets are the efficient management of cash, inventory and accounts receivable. The firm's policies for managing current assets have a direct impact on the level of liquidity and profitability to the company.

In another study by Alayemi (2013) on the relationship between assets utilization and corporate efficiency of food and beverage firms listed on the floor of the Nigerian Stock Exchange between 2007 and 2011. The study adopted ex-post facto research design method and used secondary data collected from the financial statement of the sampled companies. The study classified assets into various classes plant, equipment, machinery. The study finds that return on asset has significant effect on debtors' turnover.

Uwuigbe (2012) examined the effect of asset management on corporate profitability of the manufacturing sector of the Nigerian Stock Exchange between 2005 and 2009. The study used cash conversion cycle, current ratio, debt ratio and asset turnover to measure asset management and profitability was proxy by net operating profit. The secondary data collected was analysed using Pearson's correlation and regression analysis. The study found a strong relationship between current ratio and debt ratio as they negatively correlated to net operating profit while the current asset turnover is positively correlated to profitability.

Mathuva (2009) carried out a study that examined the impact of current asset management on firm's profitability using a sample of thirty listed firms in the Nigeria Stock Exchange between 1993 and 2008. The study found a highly significant negative relationship between collection period and profitability and positive relationship between the inventory conversion period and profitability; a significant positive relationship between average payment period and profitability.

Filbeck and Krueger (2005) argue that the importance of effective current asset management is indisputable. Current asset management is the management of cash, the most liquid asset, accounts receivable and inventory. The objectives of current asset management are to maintain the optimal balance of the current assets components. The current asset is the lifeblood of the business. Therefore a firm relies on the ability of its managers to manage cash, receivables and inventory efficiently. Efficient current assets management enables the firms to expand the funds that are available to pursue expansion by minimizing the funds tied up in the current assets. The managerial keenness that is required to bring sub-optimal level of current assets to the optimal level is quite time consuming. An optimal level is described as a perfect harmony between risk and efficiency.

Bagchi (2013), examine the impact of current asset management on financial performance of listed firm in Bandeglish Stock Exchange. The study proxy current asset by accounts receivables and adopted the ex-post facto design. Ordinary least square was used for the data analysis. The study found that the effective management of accounts receivables has impact on the financial performance of firm in Bandeglish. The study argued on the influence of accounts receivables on the liquidity of listed firm. The study believed that inefficient management of account receivable can impact negatively on the liquidity position of firms.

Paradogonas (2007) examined the impact of asset utilization on the financial performance of big and small manufacturing firms in Greece between 1995 and 1999 period. The study used regression to analyse the pool data collected from 3035 firms. They used total asset and staff employment as criteria for differentiating between big and small firms. The finding shows that firm size, managerial efficiency, debt structure, investment in fixed assets and sales affect significantly a firm's profitability.

Fathi and Tavakoli (2009) examined the relationship between current asset management and financial performance. They concluded that there exists a very big association between the reductions in the collection period, the duration of the inventory holding period and as a result a shorter liquidity cycle and the increase in profitability of the firms. If the firms have an optimal liquidity cycle then they can maximize the company's profitability.

## **Methodology**

### **Research Design**

The study used pool data and was based on ex-post- facto research design. The data used has the characteristics of time series and cross sectional, they already existed and the researcher made no attempt to change its nature and its value. The study adopted the ex- post-facto design because the study sought to analyse the causal effect relationship using the available data.

### **Sources of Data**

The study used secondary data that was collected from the annual financial report of companies with big market capitalization listed in the Nigerian Stock Exchange between 2012 and 2016.

### **Area of study**

The study was conducted using special selected firms with big market capitalization. The firm selection was based on their market capitalization as criteria. The Nigeria stock exchange considered companies with market capitalization of 10 billion and above as big companies. The entire firm selected were from the manufacturing and conglomerate sectors of the Nigerian Stock Exchange.

### Population of the study

The Population of the study consists of all listed non-financial firms in the Nigeria Stock Exchange. The Nigeria Stock Exchange has a total of 118 non-financial firms as at 2017. The manufacturing and conglomerate sectors were chosen due to their contribution to the economy and government revenue generation.

### Sample size of the study

The sample size is twenty listed firms with big market capitalization; those manufacturing firms were drawn from the manufacturing and conglomerate sector of the Nigerian Stock Exchange.

### Method of Data Analysis

The data collected was analysed using descriptive statistics, regression and correlation analysis. The descriptive statistics was used to evaluate the characteristics of the data, the result will show; mean, maximum, minimum, and standard deviation and also checks for normality of the data. The correlation analysis was used to evaluate the relationship between the variables and to check for multi-collinearity. The multiple regression analysis was used to evaluate the effect of the independent variables on the dependent variable. It reveals the degree of influence and effect the independent variables has on the dependent variable.

### Data and Variable Description

The study used pool data that was collected from firms with big market capitalization firm in Nigeria within the period covering 2012 and 2016. The dependent variables: is Net Worth (NETW), while the independent variables are; Tangible Non-Current Asset (TNCAU), Intangible Asset (INASU), Non-Current Assets (NCASU), Current Asset (CASU). The variable used was operationalized as follow.

Variables	Measures/Proxy	Author (s)
Net Worth (NETW)	$NETW = \frac{\text{total assets} - \text{total liability}}{\text{Total Asset}}$	Shula, (2006)
Tangible Non-Current Asset (TNCAU)	$TNCAU = \frac{\text{Tangible Non-Current Asset}}{\text{Total Asset}}$	Lev and Daum 2004
Intangible Asset (INASU)	$INASU = \frac{\text{Intangible Asset}}{\text{Total Asset}}$	Ifurueze and Odesa (2013)
Non-Current Assets (NCASU)	$NCASU = \frac{\text{Non-Current Assets}}{\text{Total Asset}}$	Ibam (2008)
Current Asset (CASU)	$CASU = \frac{\text{Current Asset}}{\text{Total Asset}}$	Ibam (2008)

### Model Specification

The model for the study will be premised on the main objective and anchored on the sub-objective. The model is adopted from the work of Uwuegbe (2012). The model used by Uwuegbe (2012) is PROF = (CCC, CM, CR, DR, SG).

The Uwuegbe (2012) model was modified to suit the variables used in this study. Hence the model for the study is anchored on the objectives of this study.

$$\text{NETW} = f(\text{TNCAU}, \text{INASU}, \text{NCASU}, \text{CASU}) \dots\dots\dots 1$$

This can be econometrically expressed as

$$\text{NETW}_{it} = \beta_0 + \beta_1 \text{TNCAU}_{it} + \beta_2 \text{INASU}_{it} + \beta_3 \text{CASU}_{it} + \mu_{it} \dots\dots\dots 2$$

Equation 1 and 2 are the linear regression model used in testing the null hypotheses.

Where:

NETW L = Net Worth

TNCAU = Tangible Non-Current Asset

INASU = Intangible Asset

CASU = Current Asset.

$\beta_0, \alpha_0$  and  $C_0$  = Constant;

$\beta_1, \alpha_2$  and  $C_1 \dots \beta_3, \alpha_3 C_3$  = are the coefficient of the regression equation.

$\mu$  = Error term;

$i$  = is the cross section of firms used;

$t$  = is year (time series).

### **Data Presentation, Analysis and Interpretation**

**Data Presentation:** Details of the data used and the analysis of results were presented in table under the appendices. Under the appendix, the data used was presented in table 1, while the analysis result for descriptive statistics in table 2, correlation analysis in table 3 and regression analysis in table 4. The summary of the various analysis results used in the interpretation and in hypothesis testing were presented in table below.

### **Data Analysis**

This study evaluates the effect of asset utilization on Net worth of listed companies with large market capitalization (BIG CAP) in the Nigeria Stock Exchange. In analysing the data, the study adopted multiple regression. However, some preliminary analysis such as descriptive statistics, correlation analysis were carried out to ascertain the nature, characteristics and normality of the data used in the study.

## Descriptive Statistics

Table 4.1 provides the summary of the descriptive statistics analysis result. The detail result is presented in table 2 under the appendix.

**Table 4.1 Descriptive Statistics**

Variables	NETW	TNCAU	INASU	NCASU	CASU
Mean	0.657500	0.444737	0.119158	0.047895	0.42105
Max	0.770000	0.713000	0.189000	0.091000	0.56000
Min	0.458000	0.182000	0.009000	0.006000	0.21000
Std Dev	0.061709	0.140604	0.043566	0.021157	0.19847
Jarque Bera (JB)	8.478874	5.280062	4.900576	7.394147	8.01408
JB (P-value)	0.014416	0.052727	0.086269	0.019841	0.01819

*Sources: Abiodu 2018*

The descriptive statistics result provided some insight into the nature of the selected BIG CAP firms that were used for the study. From the result, it was observed that within the period, firm selected has mean assets tangibility value of 0.6575, minimum value of 0.4580 and maximum value of 0.7700 respectively. The mean value shows that the Net Worth of the selected BIG CAP firm is 65.75. The small difference between the maximum and minimum value shows that the sampled manufacturing firms used for the study are not dominated by either large or small firms. The result shows tangible noncurrent assets has mean value of 0.4447, maximum and minimum 0.7130 and 0.1820 respectively. While intangible noncurrent assets has a mean value of 0.1192, maximum of 0.1890 and minimum of 0.0090. These values indicates that the most of the BIG CAP firms used has low intangible asset, the small difference between the mean and the maximum value reveals few of the firms used has high level intangible asset. Noncurrent assets utilization has an average value of 0.0478 days, maximum value of 0.0910 and minimum value of 0.0060. Firm Age has a mean value of 0.4211, maximum value of 0.560 and minimum value of 0.2100 this reveals that most BIG CAP firms has large volume of current asset than tangible noncurrent assets.

Lastly, the Jarque – Bera (JB) which test for normality or the existence of outlier or extreme value among the variables shows that all the variables are normally distributed at 1% level of significance except tangible asset and intangible current assets was distributed at 10% level.

**Correlation Analysis:** In examining the relationship between the variables, the study employed the Pearson correlation analysis and the results are presented below in table 3 in the appendices.

However, the summary of the result is present in table 4.2 below

Variables	NETW	TNCAU	INASU	NCASU	CASU
NETW	1.000000				
TNCAU	0.284192	1.000000			
INASU	0.239634	0.180054	1.000000		
NCASU	0.138761	0.033299	0.265699	1.000000	
CASU	0.103493	0.073401	0.012795	0.139720	1.000000

Source: Correlation analysis e-view 8

The correlation analysis was used to explore the relationship that existed among the variables used for the study and check for multi-collinearity. The result shows the relationship among the various variables used for the study. The result shows that a positive relationship exist between NETW, TNCAU, INASU, NCASU and CASU. Tangible noncurrent asset has positive relationship with INASU, NCASU and CASU. Intangible noncurrent asset has a positive relationship with NCASU and CASU and noncurrent asset has positive relationship current asset. This suggests that the more an entity utilizes its asset the more the Net Worth of the firm.

In checking for multi-collinearity, the study observes that no two variables were perfectly correlated. This means that there is absence of multi-collinearity problem in the model used for the analysis.

### Regression Analysis

The regression analysis was used to test for the effect of the asset utilization on net worth. The summary of the analysis result is presented below. See table 4 in appendix for detail.

#### Regression analysis result

Dependent Variable: NETW

Method: Least Squares

Date: 03/04/18 Time: 11:40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.682054	0.049708	13.72111	0.0000
TNCAU	0.148078	0.075866	-1.951825	0.0598
INASU	0.185504	0.240480	-0.771390	0.4461
NCASU	0.378295	0.387008	0.977487	0.3357
CASU	0.360903	0.000999	1.904137	0.0727

R-squared	0.410471	Mean dependent var	0.657500
Adjusted R-squared	0.374584	S.D. dependent var	0.061709
F-statistic	11.604711	Durbin-Watson stat	1.643819
Prob(F-statistic)	0.007129		

---

Source: Researcher (2018) summary of regression analysis result.

The regression result in order to solve the problem, the study R-sq(Adj.) 0.3746 (37.46%) this indicates that all the independent variables jointly explain about 37.46% of the variation/changes in Net worth of listed BIG CAP firms in Nigeria. The F-statistics value of 11.6047 and its probability value of 0.007 shows that the model used is appropriate and is statistically at 1% levels. The Durbin Watson statistics result was 1.6438 can be approximated into 2, this indicates the reveals the absent of autocorrelation in our model hence the model used is appropriate for the study.

### **Interpretation and hypotheses testing**

**Hypothesis 1** Tangible noncurrent asset utilization has no significant effects on Net worth of BIG CAP firms in Nigeria.

The analysis result of tangible noncurrent asset utilization and Net worth showed a coefficient value of 0.1481, t-value of -1.9518 and a p- value of 0.0598. The coefficient value of 0.1481 reveals that tangible noncurrent asset utilization has positive contribution of about 0.1481 percent to net worth. The t-value of -1.9518 shows Tangible noncurrent asset utilization financing has a negative effect on operating cash flow; while the p-value of 0.0598 shows that the effect of Tangible noncurrent asset utilization is statistically significant at 5% level. Based on the result, the study accepts the alternate hypothesis and rejects the null hypothesis. The study therefore concludes that Tangible noncurrent asset utilization has significant effect on Net worth of BIG CAP companies in Nigeria.

**Hypothesis 2:** Intangible noncurrent asset utilization has no significant effects on Net worth of BIG CAP firms in Nigeria

The analysis result holding showed a coefficient value of 0.1855, t-value of -0.7714 and a p- value of 0.4461. The coefficient value of 0.1855 shows that intangible noncurrent asset utilization make positive contribution of about 0.19 percent to Net worth of BIG CAP companies in Nigeria. The t-value of -0.7714 shows that intangible noncurrent asset utilization has a negative effect on operating cash flow. The p - value of 0.4461 shows that the effect of intangible noncurrent asset utilization on Net worth is not statistically significant even at 10% level. This means that intangible noncurrent asset utilization has no significant effect on Net worth of BIG CAP companies in Nigeria. Based on the result, the study rejects the alternate hypothesis and accepts the null hypothesis. The study therefore concludes that intangible noncurrent asset utilization has no statistical significant effect on Net worth of BIG CAP companies in Nigeria.

**Hypothesis 3:** Noncurrent asset utilization has no significant effect on Net worth of BIG CAP firms in Nigeria.

The analysis result shows a coefficient value of 0.3783, t-value of 0.9775 and a p- value of 0.3357. The coefficient value of 0.3783 shows that Noncurrent asset utilization makes positive contribution of about 0.38 percent to net worth of BIG CAP firms used in the study. The t-value of 0.9775 shows that

Noncurrent asset utilization has effect on operating cash flow. The probability value of 0.3357 shows that Noncurrent asset utilization has no statistically significant impact on operating cash flow. Based on the result, the study rejects the alternate hypothesis and accepts the null hypothesis. The study concludes that Noncurrent asset utilization has statistical significant effect on the Net worth of BIG CAP firms in Nigeria.

**Hypothesis 4:** Current asset utilization has no significant effect on Net worth of BIG CAP firms in Nigeria.

The analysis result shows a coefficient value of 0.3609, t-value of 1.9041 and a p-value of 0.0727. The coefficient value of 0.3609 shows that current asset utilization makes positive contribution of about 0.36 percent to net worth of BIG CAP firms used in the study. The t-value of 1.9041 shows that current asset utilization has effect on operating cash flow. The probability value of 0.0727 shows that current asset utilization has a statistically significant effect on operating cash flow. Based on the result, the study rejects the null hypothesis and accepts the alternate hypothesis. The study concludes that current asset utilization has statistical significant effect on BIG CAP firms in Nigeria.

### **Discussion of Finding**

The correlation analysis result shows that there is a positive relationship between Net worth, intangible noncurrent asset utilization, current asset utilization, and noncurrent asset utilization, tangible asset utilization. The regression analysis revealed that tangible noncurrent asset utilization as a determinant of net worth has a significant effect on net worth of BIG CAP firms in the Nigeria Stock Exchange. The finding is in line with the study of Uwuigbe (2012) and Eljelly (2004). Intangible noncurrent asset utilization from the analysis does not have significant effect on Net worth. This means that effective and efficient utilization of intangible may not significantly increase Net worth of BIG CAP companies quoted in the Nigeria Stock Exchange. This is in line with the study of Mwaniki and Job (2017), and but contrary to the finding from the study of Leszek (2013). Noncurrent asset utilization has significant effect on the Net worth of BIG CAP firms in Nigeria Stock Exchange. The result indicates that Noncurrent asset utilization has no significant effect on Net worth. This was in line with the study of Olatunji and Tajudeen (2014) but contrary to the findings of Okwo (2012). The analysis also reveals that current asset utilization has effect on Net worth, the result reveals that current asset utilization is has significant effect on Net worth, that is firms don't increase their Net worth because of the benefit of they stand to get from current asset utilization. This was in line with the study of Fathi and Tavakoli (2009) but contrary to the finding of the study of Leszek (2013).

### **Summary of Findings, Conclusion and Recommendation**

#### **Summary of Findings**

The study specifically found that:

1. Tangible noncurrent asset utilization has statistical significant effect on Net worth of quoted companies in Nigeria. Hence, tangible noncurrent asset utilization has effect on Net worth of quoted BIG CAP firm in the Nigeria Stock Exchange.
2. Intangible noncurrent asset utilization from the study has no significant effect on Net worth. This indicates that intangible noncurrent asset utilization does not affect the Net worth of BIG CAP companies quoted in the Nigeria Stock Exchange.
3. Noncurrent asset utilization has no significant effect on the Net worth of BIG CAP companies in Nigeria Stock Exchange.

4. The result also reveals that current asset utilization has effect on net worth, the result indicates that current asset utilization has significant effect on net worth that is firms don't increase their Net worth.

### **Conclusion**

The level of assets utilization of has effect on Net worth of firm manufacturing firm. The level of asset utilization can determine the level of Net worth, an effective utilization of asset can have effect on the wear and tear of the asset which affects the life span of the assets. Excess investment in any form of asset has advantage and disadvantage to the firm. Assets are used as collateral when using debt financing in investment. Net worth has information content as investor look at the investment pattern of firm Net worth to determine the long run survival of such firm and the level of liquidity. Hence how the resources of firm can affect the level of Net worth of firm is of great importance to investor and management. The study found that in BIG CAP firms tangible noncurrent asset utilization and current asset utilization are key in driving the Net worth while noncurrent asset utilization and intangible asset are not a good driver of Net worth of BIG CAP firm listed in the Nigeria Stock Exchange.

### **Recommendations**

Based on the findings, the study recommends the following:

1. BIG CAP firm listed in the Nigeria stock exchange should pay attention to tangible noncurrent asset utilization when formulating policy because they have direct effect on Net worth.
2. Managers in of BIG CAP firm should invest in current assets because of its ability to drive Net worth of their firm. Current asset can also determine the level of liquidity which help in building investor confidence especially when using debt financing.
3. BIG CAP firms should ignore noncurrent asset utilization in formulating Net worth policy because it cannot drive their Net worth.
4. Intangible noncurrent asset utilization has no effect on the Net worth. The study therefore recommends that BIG CAP firm should pay less attention to Intangible noncurrent asset utilization when formulating policy regarding tangible assets.

### **Contribution to knowledge**

This study used a unique case of BIG CAP companies listed in the Nigeria stock exchange which no previous studies have examined, hence the gap in empirical has been filled as no previous studies have considered the unique cases of the companies with big market capitalization.

### **References**

- Afza, H. & Nair, C. (2007). Working capital management policies of Firms: Empirical evidence from Pakistan. *International review of business research papers*. downloaded from <http://www.bizresearchpaper.com>.
- Alayemi S. A. (2013). Relationship between profitability: A case study of food and beverage industry quoted on the assets utilization and corporate Nigerian stock exchange. *Merit research journal of business and management*. 1(1) 001-010.
- Ali, S. & Mohammad, E. (2013). The role of accruals and cash flows in explaining stock returns: Evidence from Iranian Companies *international review of business research papers* 6(2) 164-170.

- Ang, J. S., Cole, R. A., & Lin, W. J. (2000). Agency cost and ownership structure. *Journal of Finance*, 55, 81–106.
- Aquizzi, A. & Paynee, N. (2007). Liquidity management, operating performance, and corporate value: Evidence from Japan and Taiwan. *Journal of multinational finance management* 14(2), 159-169.
- Armord, N. (2008). Cash flow management and corporate performance: evidence form Teharan stock exchange. *European journal of finance and management* 3(1) 68-90
- Ashitiani A. (2005). Cash flow and working capital management behaviour. Survey of quoted company in Kenya. *Journal of economic and account* 3(1), 87-104.
- Ashraf, C.K. (2012). The relationship between working capital efficiency and profitability. *Journal of accounting management*, 2(3), 1 – 25.
- Bagchi, B., & Khamrui, B. (2013). Relationship between working capital management and profitability: A study of selected companies in India. *Business and economics journal*,2(60),2 – 12.
- Barney, J. B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Management Science* 32:1231–1241.
- Barney, J. B (1991). Firm resources and sustained competitive advantage. *Journal of management* 17:99–120.
- Barney, J. B (2001). Is the resource-based view a useful perspective for strategic management research? Yes. *Academy of management review* 26:31–46.
- Bingilar P. & Oyedoghan, J. (2014). Cash flow and corporate performance: study of selected food and beverages companies in Nigeria. *European journal of accounting & auditing and finance research* 2(7) 77-87.
- Brain, M. (2009). Productivity measurement and management accounting. *Journal of accounting, auditing, and finance*, 4, 528–554.
- Br-Bukit, R., & Iskandar, T. M. (2009). Surplus cash flow, earnings management and audit committee. *International journal of economics and management*, 3(1), 204–223.
- Chiao (2001). The research of the optimal allocation of assets structure and business performance. *Research journal of economics and business ICT*, 8, 1-5
- Chung, R., Firth, M., & Kim, J. B. (2005). Earnings management, surplus free cash flow, and external monitoring. *Journal of business research*, 58, 766–776.
- Conner, K. R. (1991). A historical comparison of resource-based theory and five schools of thought within industrial organization economics: Do we have a new theory of the firm? *Journal of management* 17:121–154.
- Deloof, M. (2003). Does Working capital management affect profitability of Belgian firms? *Journal of business finance & accounting*, 30 (3 & 4), 585.
- Dennis, O. (2014). Current assets management practices of small and medium enterprises in Kenya: Evidence from selected enterprises in Nairobi.
- Dennis, E. (1990). *Handbook of Modern Finance*, 2<sup>nd</sup> Edition, Warren, Gorham and Lamount, Boston. New York. 15-1.

- Dierickx, I. & Cool, K. (1989). Asset stock accumulation and sustainability of competitive advantage. *Management Science* 34:1504–1511.
- Eljelly, A. (2004). Liquidity –profitability trade-off: an empirical investigation in an emerging market. *IJCM*, 14(2), 48-61.
- Ellis, R. (1998). Asset utilization: A metric for focusing reliability efforts. *Seventh International Conference on Process Plant Reliability*. Marriott Houston Westside Houston, Texas, 25–30 October.
- Emekewue, M. (2005). Financing of small and medium enterprises (SMEs) in Kenya: A study of selected SMEs in Kakamega municipality. *International journal of current research*, 4(4), 303 – 309.
- Fahy, J. (2002). A resource-based analysis of sustainable competitive advantage in a global environment. *International business review* 11:57–78.
- Fathi, S., & Tavakoli, Y. (2009). A study on the relationship between working capital management and financial function of economic entities. *Business Studies*, 36.
- Filbeck, G. & Kruegar, T. (2005). An analysis of working capital management. Results across industries. *American journal of business* 20(2) 11-20
- Fleming, G. & McCosker, R. (2005). Agency costs and ownership structure in Australia. *Pacific-basin finance journal* 13, 29–52
- Gautama, V. (2008). An analysis of working capital management efficiency in telecommunication equipment industry. *Rivier academic journal*, (3), 1-10.
- Gladys, M. & Job, O. (2017). Asset structure and financial performance: a case of firms quoted under commercial and services sector at the Nairobi Securities Exchange, Kenya. *Research journal of finance and accounting* [www.iiste.org](http://www.iiste.org) 8(4)192-210.
- Griffin, J. M. (1988). A test of the free cash flow hypothesis: Results from the petroleum industry. *The review of economics and statistics*, 70(1), 76–82.
- Gul, S., Sajid M., Razzaq N., & AfzalF. (2012). Agency cost, corporate governance and ownership structure (The Case of Pakistan). *International journal of business and social science*. 3(9). 268-277.
- Hall, C. (1992). Net working capital basics. Retrieved from <http://2012books.lardbucket.org/books/finance-for-managers/s17-02-net-working-capital-basics.html>
- Hekimian, N & Jone, C (1976). Working capital management and firm's performance in emerging markets: The case of Jordan. *International journal of managerial finance*, 1 (1),2 – 25.
- Helfat, C. E. & Peteraf, M. A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic management journal* 24:997–1010.
- Henard & Szymanski, (2001). Impact of Intangible Assets on Profitability of Hong Kong Listed Information Technology Companies: Macrothink institute: Hong Kong
- Ibam, B. (2008). Impact of Intangible Assets on Profitability of Hong Kong Listed Information Technology Companies: Macrothink institute: Hong Kong

- Jensen, M., & Meckling W. (1976). Theory of the firm: Managerial Behaviour, Agency costs and capital structure. *Journal of financial economic* 3, 305 -360
- Jensen, M. C. (1986). Costs of free cash flows, corporate finance and take over in America An *Economic review*, 76(2), 323-329.
- Khalid, L. (2012). Assessing the resource usage decisions and financial performance in Finnish sawmills within the resource-based view framework. Faculty of Forest Sciences, University of Joensuu, Finland
- Khoshdel N. (2006). The relationship between free cash flow, operating income, stock returns and development of the market value of net operating assets of firms listed on the Tehran Stock Exchange. *MA thesis in Accounting, Islamic Azad University of Mashhad, p.1*
- Kithii, J. N. (2008). The relationship between working capital management and profitability of listed companies in the Nairobi stock exchange. Unpublished doctoral dissertation, University of Nairobi, Nairobi, Kenya.
- Kothari, C., Laguerre, B & Leone, J. (2002). How Does Asset Structure Correlate with Capital Structure? – Cross-Industry and Cross-Size Analysis of the EU Countries. *Universal Journal of Accounting and Finance* 1
- Kun W & Xing X (2012). Controlling Shareholders’ Tunneling and Executive Compensation: Evidence from China. *Journal of accounting research* 42:269-312.
- La Porta, R., Lopez-De-Silanes, F., Shleifer, A. & Vishny, R. (1999). Corporate ownership around the world. *Journal of finance* 54: 471-517.
- Lähtinen, K. (2009). Assessing the resource usage decisions and financial performance in Finnish sawmills within the resource-based view framework. 40 p. *Dissertationes Forestales* 89. Available at <http://www.metla.fi/dissertationes/df89.htm>.
- Lani, N. (2009). Effects of assets structure on the financial performance: Evidence from Sultanate of Oman.
- Lev, E. & Daum, N. (2004). Innovation: More than Research and Development. *ISIR. Journal*.
- Mairesse, B. & Mohnen, L. (2005). Risk management coordinating corporate investment and financing policies. *Journal of finance*, 48(5), 1629–1658.
- Mathuva, D.M. (2009). The Influence of working capital management components on corporate profitability: A survey on Kenyan Listed Firms. *Research journal of business management*, 4 (1), 1 – 11.
- McCabe, G. M., & Yook, K. C. (1997). Free cash flow and the returns to bidders. *The Quarterly review of economics and finance*, 37(3), 697–707.
- Mishra, R. & Cobeli, N. (2003). Foreign ownership and plant productivity in the Thai automobile industry in 1996 and 1998: A conditional quartile analysis. *Journal of Asian economics*, 15, 321–353.
- Mou, X. (2014). Factors affecting financial performance of firms listed on shanghai stock exchange 50. *international College University of the Thai chamber of commerce*

- Nabil, C. (2016). The Relationship between Tangible Assets and Capital Structure of Small and Medium-Sized Companies in Croatia.UDK: 658.14 54
- Okwo, I. M., Okelue, U. D., & Nweze, A. U. (2012). Investment in fixed assets and firm profitability: Evidence from the Nigerian brewery industry. *European journal of business and management*, 4(20), 10-17
- Olatunji, T.E. & Tajudeen A.A. (2014). Investment in fixed assets and firm profitability: empirical evidence from the Nigerian banking sector. *Asian journal of social sciences and management studies*. 1.
- Owolabi, S. A. & Obida, S.S. (2012). Liquidity management and corporate profitability: case study of selected manufacturing companies listed on Nigeria Stock Exchange. *Business management dynamics*, 2(2) 10-25.
- Owumi, S. (2015). Liquidity management and corporate profitability: Case study of selected manufacturing companies listed on the Nigerian Stock Exchange. *Business management dynamics*, 2(2), 10-25.
- Padachi K (2006). Trends in working capital management. *Int. J. Bus. Res. Papers*, 2(2), 45-58.
- Paradogonas, T.A. (2007). The financial performance of large and small firms: Evidence from Greece. *International journal of finance. Services management issues*, 2(1).
- Quinn, A. (2011). Working capital management and financial decision. *Journal of Account and finance* 3(4) 113 – 128
- Robert, E. (2011). Liquidity management and corporate profitability: Case study of selected manufacturing companies listed on the Nigerian Stock Exchange. *Business Management Dynamics*, 2(2), 10-25.
- Ross, S., Westerfield, R., & Jordan, B. (2008). *Fundamentals of Corporate Finance*. Washington, DC: McGraw-Hill/Irwin.
- Scherr, C. (1989). The research of the optimal allocation of assets structure and business performance. *Research journal of economics and business and ICT*, 8: 1-5.
- Schleifer, A. & Vishny R. (1997). Large shareholders and corporate control, *Journal of political economy* 95 461-88.
- Shin, H. H., & Kim, Y. H. (2002). Agency costs and efficiency of business capital investment: evidence from quarterly capital expenditures. *Journal of corporate finance*, 8, 139–158.
- Shula, C. (2006). Small business failure and bankruptcy: A survey of the literature. *European small business journal*, 1(4), 47-59.
- Singh, M., & Davidson, W. N. (2003). Agency costs, ownership structure and corporate governance mechanisms. *Journal of banking and finance*, 27, 793–816.
- Sirmon, J. & Boisjoly, R. (2007). The cash flow implications of managing working capital and capital investment. *Journal of business and economic studies*, 15(1), 1 -14.

- Srivastava E. (1998). Optimizing and right-sizing liquidity Retrieved from <http://www.citibank.com/transactionservices/home/oli/files/OptimizingandRightSizingliquidity.pdf>
- Takiah M., Rina B. & Zuraidah M. (2012). The moderating effect of ownership structure on the relationship between free cash flow and asset utilization. *Asian academy of management journal of accounting and finance*. 8(1), 69–89.
- Uwuigbe (2012). The Relationship between Tangible Assets and Capital Structure of Small and Medium-Sized Companies in Croatia.UDK: 658.14 54
- Van Horne, C., Frayret, J.-M. & Poulin, D. (2006). Creating value with innovation: From centre of expertise to the forest products industry. *Forest policy and economics* 8:751–761.
- Wernerfelt, B. 1984. A resource-based view of the firm. *Strategic management journal* 5:171–180.
- Yahaya O. A. *et al.* (2015). Current Assets Management and Financial Performance: 55
- Zhou, H. & Zhang, N. (2012). Relationship between free cash flow and financial performance. Evidence from the listed real estate companies in china. IPC. SIT.36,331-335.