

## **ASSETS SAFEGUARD AND BUSINESS PERFORMANCE IN QUOTED MANUFACTURING COMPANIES IN NIGERIA**

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**ABSTRACT:** *The paper titled: Assets Safeguard and Business Performance in Quoted Manufacturing Companies in Nigeria empirically assessed the influence, safeguarding corporate assets exerts on business performance. The empirical referents in focus are efficiency, effectiveness and profitability. The research design adopted is the survey. Data was collected within a framework sample size of thirty-two (32) quoted manufacturing firms in Nigeria. Pearson product moment correlation and QSR Nvivo were adopted in analyzing the quantitative and qualitative data. The findings show that assets safeguard has positive and significant influence on business performance. The study conclude that safeguard of manufacturing firms assets enhances their performance through profitability operational effectiveness and resource utilization efficiency. It is therefore recommended that manufacturing firms should be conscious of their assets safeguard mechanism through proper identification and accountability of assets of all kinds to minimize wastage, losses and ownership conversion by persons of such tendencies.*

**KEYWORDS:** Assets Safeguard, Business Profitability, Effectiveness, Efficiency

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### **INTRODUCTION**

A tough business environment, rising clients expectation, higher regulatory pressure, and ongoing focus on cost control mean that the asset managers are challenged like never before to do more with less.

Lucey (1987) argued that amongst the not so fascinating but significant attributes of an organization's actions are internal controls, which encompasses safeguarding corporate assets. Accountants are required to carry out sound assessments to safeguard assets and rationally make sure that management's goals are realized in the direction of effective operations, dependable financial reporting and legal and regulatory compliance.

Safeguarding of assets is defined as those policies and procedures that "provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposal of the company's assets that could have a material consequence on the financial statements (COSO, 2012).

Umoh (1994) advanced that Assets management involves continuous re-appraisal of business models in the light of emerging challenges. Therefore, in recognition of corporate stakeholders expectation, there should be deliberate efforts to be vigilant about investment risks as the cycle revolves.

Control measures relating to safeguarding of assets in opposition to unlawful acquisition use or disposal is a process, perfected by an entity's board of directors, management and other personnel, designed to give sensible assertion regarding prevention or appropriate discovery

of illegal acquisition, use, or dispossession of the business entity of its assets. The situation. If not checked can reflect negatively on the financial statement.

In order to adjudge internal control as effective. The board of directors and management have rational confidence that unlawful acquisition, use or utilization of the entity's assets that could have a material effect on the financial statement is being prevented or detected on a well-timed basis.

For instance, a company has safeguarding controls over inventory and also carry out occasional physical inventory counts, apt in relative to its quarterly and yearly financial reporting dates. Although the physical inventory count does not safeguard the inventory from theft or loss, it prevents a material misstatement to the financial statements if performed successfully and aptly.

Assets safeguards starts with the execution of suitable internal and external controls, and the service of a good financial tragedy recuperation plan. Elliot (2002) stated that, developing policy as to who has access and control over reliable aspects of company assets is the first step in appreciating at what point a risk of loss may occur. In recent time, business needs to execute controls above traditional physical safeguarding in order to improve business performance.

There is dearth of scholarly contributions on the subject area or variable under examination, assets safeguard. Moreso, its relativity in terms of influence on performance indices of business effectiveness, efficiency and business profitability. The contributions in existence focused on developed economies. From the foregoing, it became imperative to empirically examine, the level of influence assets safeguard exerts on the performance of manufacturing firms, particularly the companies in the sector quoted in Nigerian Stock Exchange.

In consideration of the issue of justification of this study, manufacturing firms have a tale of woes of failure, emanating from fraudulent practices, disregard for corporate assets safeguard, maladjustment and malpractices. The implications generated from this endeavour will aid the entrenchment of accountability and viable culture of safeguarding assets will be institutionalized.

The existing research reports on the variables under study from previous studies drew attention far from the Nigerian situation, especially against the obvious consequences of in balance in trade deficits due to ailing production culture and dwindling fortunes occasioned by slow pace or weak implementation of policies put in place to fast track the re-engineering and re-invigoration of the manufacturing sector of the economy.

This paper set out to address a pertinent question and mind burgling issue of the extent to which assets safeguard influences business performance in quoted manufacturing companies in Nigeria.

## **LITERATURE REVIEW**

The non-current assets are subjected to annual wear and tear normally referred to as depreciation. With the exception of land which may appreciate in the non-current category of assets, other categories undergo amortization, whereas the wasting assets are subjected to the process of depletion. The method of depreciation adopted by management should be strictly

adhered to and the consistency principle should prevail to avoid unnecessary discrepancy that may arise from assets valuation.

The maintenance of assets register is very crucial, just as the preparation of 'debtors ageing analysis' for business organizations makes for effective and efficient management of resources (Umoh,1994).

In the same view, Williamson argued in Pfeffer (1982) that the emphasis on efficiency is the use of organizational resources and using such resources aright.

Assets are safeguarded against loss, damage and misuse. The situation or circumstances that expose assets against safeguard could be classified under the following: Pilferage, exposure to unfavourable weather conditions, rough handling, improper usage, wastage and incorrect recording. There are also the physical safeguard and security necessary for organization's assets. These include control of access to physical assets and information systems generally and those systems relating to corporate assets in particular, deserve adequate control and should also be restricted properly. It may be expedient to allow only authorized personnel unhindered access to the information systems of business organisations.

The various categories of organization's assets are to be safeguarded. Though, the accounting, stock control, stores and security departments serve as custodians of these resources (assets). There should be, as a matter of policy, a method of issuance of materials or stock from the stores department. The last in first out (LIFO) or first in first out (FIFO) which ever that is being adopted should be consistently adhered to. The internal audit unit which is an off line control mechanism serve as a security checking device to all on-line Controls (Libbys and Short, 2002). The explanation advanced by Scholefield(2005), Harry and Elliot (2002), that Off-Line-Control consists of on-going measures and procedures designed to provide reasonable assurance, that all significant actions of a business organization, are taken in accordance with organization's policies and with due regard for efficiency and the protection or safeguard of corporate assets. The on-line control function, is more of an appraisal activity designed to evaluate the capabilities of an organization, to promote more efficient and effective controls through constructive recommendations of the unit responsible for the maintenance of the assets register.

In order to safeguard corporate assets, organizations' records and documentation of transactions should be crosschecked by qualified and designated personnel For the maintenance of checks and balances in the system, the job of employees should be checked against one another (Lucey 1987).The achievement of a favourable result at the least cost of resources possible appears to enhance business performance. The contributions made by scholars emphasizing the need for organizations assets to be safeguarded, had over the passage of time resulted to goal achievement and often time, effective business performance may have been realized and sustained(Ghartey and Czartoryski 1995).

Mautz and Neuman(1990) had a different view, on the issue of assets Safeguard, that irrespective of the undue pressure on the internal audit staff, the internal auditor remains accountable to management and by extension the shareholders or owners of the business organization. According to Alan Ravenscroft of British Petroleum, internal audit function affords traditional safeguards on the assets of a company. Michael Dowdy, group financial Director of George Wimpey attested that assets safeguard adopted through means of control of resources by the department entrusted with maintenance and updating of assets register had

immensely contributed to the overall performance of businesses. There should be adequate communication between the internal audit unit and management. There should also be unhindered access of information from Managers and their subordinates to the internal auditors.

This process may enhance effectiveness in operations and efficiency in the measures of control established in the organization. The result of which should set high performance rating and organizational goal achievement, in an attempt to achieve enhanced business performance, which as earlier mentioned, are measured through profitability, effectiveness and efficiency. The safeguard of assets are associated with costs, therefore, it should be considered that the audit of cost could be done as the work progresses or as the process is ongoing, but in some situations the cost audit is not made until a project is completed. Therefore, an option by which assets safeguard unit put in place, should carry out the auditing as the work progresses may be preferable, because such circumstances make it possible for potential errors to be uncovered and corrective measures taken, thereby avoiding uncontrollable situation. From the foregoing, the following research hypotheses were presented:

H<sub>A1</sub>: Assets safeguard has a significant relationship with business profitability

H<sub>A2</sub>: Assets safeguard has a significant relationship with business effectiveness

H<sub>A3</sub>: Assets safeguard has a significant relationship with business efficiency.

## **METHODOLOGY**

The study adopted the cross-sectional survey method. 32 quoted firms in Nigeria were sampled. Respondents from these firms were made to provide answers to the questionnaire items. The research instrument was tested for validity and reliability with the aid of statistical package for social scientist (SPSS) version 20.

Pearson Product Moment Correlation (PPMC) analysis was carried out to test the strength and the direction of the relationship between the two variables under study. Beside the Quantitative analysis, Qualitative analysis was also conducted with the assistance of QSR NVIVO statistical software package.

Nomothetic and ideographic approaches of data collection and analysis, would enrich the outcome of most social sciences research endeavour. Therefore, in this study, we have the nomothetic methodology as dominant while the ideographic methodology is supportive. This action contributed to a large extent to the desired enrichment, scientific rigors and reliable outcome of this research work. In view of these contentions, we have adopted the quantitative method, as well as the qualitative method. These applications have been concurrently adopted. Results and findings are presented in the next paragraphs.

**RESULTS****Table 1. Correlation Analysis of Assets Safeguard and Profitability**

Variables	Statistics	ASSETS SAFEGU ARD	PROFITA BILITY
ASSETS	Pearson	1	.365*
SAFEGUARD	Correlation		.047
	Sig. (2-tailed)	32	32
	N		
PROFITABILITY	Pearson	.365*	1
	Correlation	.047	
	Sig. (2-tailed)	32	32
	N		

\* Correlation is significant at the 0.05 level (2.tailed)

The correlation value  $r = 0.365^*$  above shows a relatively strong relationship between assets safeguard and profitability. The positive value of the correlation coefficient shows that increase in assets safeguard increased profitability. The result is however statistically significant at 0.05 level ( $PV = 0.047$ ).

From the foregoing, we accept the hypothesis which states that “Asset safeguard has a significant relationship with business profitability.

**Table 2. Correlation Analysis of Assets Safeguard and Effectiveness**

Variables	Statistics	ASSETS SAFEGUAR D	EFFEC1 VENES; D
ASSETS	Pearson	1	.324*
SAFEGUARD	Correlation		.049
	Sig. (2-tailed)	32	32
	N		
EFFECTIVENESS	Pearson		1
	Correlation	.324*	
	Sig. (2-tailed)		32
	N	.049	
		32	

\* Correlation is significant at the 0.05 level (2.tailed)

The result presented in the above table shows that the correlation coefficient  $r = 0.324^*$ . This indicate a moderate relationship between Assets safeguard and effectiveness. The implication of positive sign of the correlation coefficient is that increase in Assets Safeguard increased effectiveness. The result is statistically significant at 0.05 level. ( $PV=0.049$ ) and as flagged significant by the SPSS output, implying that it has satisfied the SPSS explanatory scheme.

Therefore, we accept the hypothesis which states that Assets Safeguard has significant relationship with business effectiveness.

**Table. 3. Correlation Analysis of Assets Safeguard and Efficiency**

Variables	Statistics	ASSETS	
		SAFEGUARD	EFFICIENCY
ASSETS	Pearson	1	.496**
SAFEGUARD	Correlation		
	Sig. (2-tailed)		.004
	N	32	32
EFFICIENCY	Pearson	.496**	1
	Correlation		
	Sig.(2-tailed)	.004	
	N	32	32

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

The correlation coefficient  $r = 0.496^{**}$  as indicated in the table above shows a relatively strong relationship between Assets safeguard and efficiency. The positive sign of the correlation coefficient shows that increase in Assets safeguard increased efficiency. The correlation is statistically significant at 0.01 level of significance ( $PV = 0.004$ ).

We are left with the alternative therefore of accepting the hypothesis which states that “Assets safeguard has a significant relationship with business efficiency”.

Given that Assets safeguard has a significant relationship with the three indices of business performance, one can conclude that assets safeguard has a significant relationship with business performance.

The analysis of Assets safeguard and business performance was centred on the relationship between assets safeguard and measures of business performance (profitability, effectiveness and efficiency). Therefore, the hypotheses involved in this analysis are:  $H_{A1}$ : Assets safeguard has a significant relationship with profitability;  $H_{A2}$ : Assets safeguard has a significant relationship with effectiveness;  $H_{A3}$ : Assets safeguard has a significant relationship with efficiency. The test resulted to the acceptance of all the three hypotheses because of the acceptable r-values (which met the benchmark of

$r < 0.20$ ). Considering these results, we found it logical to state that Assets safeguard is positively related to business performance. Therefore, assets safeguard positively influences business performance.

Gibbs (2002) had advanced that in qualitative data analysis, the focus on language may provide two consequential outcomes. The first tend to be based on an interpretive philosophy, whereas, in the second consequence, the researcher tends to take a holistic view of the subject of investigation.

Beside the quantitative analysis, we also conducted qualitative analysis using the QSR NVIVO statistical software package. From the analysis based on the qualitative data collected, the findings deduced indicated that Assets safeguard influences profitability, effectiveness and efficiency.



## DISCUSSION

One of the major findings revealed in the interpretation of the results of our analyses is that assets safeguard positively influence business performance. With respect to our research questions, we examined the extent to which assets safeguard influences business profitability, efficiency and effectiveness. The results of the test as shown in tables 1, 2, and 3 indicated the existence of positive influence between assets safeguard and all measures of business performance. Our finding is supported by the argument of Umoh (1994) Pandey (1995) and Adams (2005). The central point in their argument which is very relevant to our finding is that, assets are safeguarded against loss, damage and misuse, with the understanding that the situation or circumstance that expose assets against safeguard could be classified under the following: Pilferage, exposure to unfavourable weather conditions, rough handling, improper usage, wastage and incorrect recording.

This contention implies that in safeguarding assets, the purpose for which the assets are procured are protected against. This further implies that the process of assets safeguard ensure assets are used with the consciousness of the objective that led to their procurement. This is quite evident in the physical safeguard and security necessary for organizational goals for obtaining the assets. Therefore, it is not in any sense surprising that assets safeguard positively influence business performance. For instance, Pandey (1995) argued that assets are procured directly or indirectly to contribute primarily to achieve the objective for which business is established. In most cases, this objective is predominantly profitability. The overriding nature of profitability as a goal of almost every business operation, tends to indicate that the auditing function of assets safeguard is by extension a way of protecting the profitability interest pursued in modern day capitalism.

## CONCLUSION

Assets safeguard is directly or indirectly linked to efficiency and effectiveness considering the over riding focus of organizations as efficiency seeking systems. Therefore, any practice to protect danger to assets, in any kind or manner, tends to increase the efficiency and effectiveness in the achievement of business objective, which growth is a fundamental part. If assets safeguard mechanism is in place, proper identification and accountability of assets of all kinds to minimize wastage and losses. With regard to this, we conclude that assets safeguard enhances business performance through profitability, efficiency and effectiveness in the utilization of the assets involved. The assets safeguard of manufacturing firms have enhanced their business performance through profitability, effectiveness and efficiency of operations.

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