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Effect of Sales Revenue Growth on the Corporate Performance of Nigerian Listed Foods and Beverages Manufacturing Firms

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ABSTRACT

This study investigated the effect of sales revenue growth on the corporate performance of listed Nigerian foods and beverages manufacturing firms. The study used secondary source of data to collect panel data from the financial statements of the selected firms between 2011 and 2020. The population of the study is made up of the eight (8) listed foods and beverages companies listed on the Group Stock Exchange Nigerian Limited. The sample four (4) of the firms were obtained using a purposive sampling technique. The study employed the correlation analysis and the ordinary least square technique for data estimation. The research work found that the co-efficient of the sales revenue on the return on assets is positively and significantly signed (0.17548, P-value of 0.02 < 0.05) with the correlation result of 0.8965. The study therefore concluded that sales revenue growth has a positive effect on the corporate performance of listed foods and beverages manufacturing firms in Nigeria with a strong positive correlation between the turnover and the firms' performance. Therefore, the research work recommended that the directors of the foods and beverages firms should strategize on how to improve on their advert coverage to increase their markets share that will improve the level of their firms' turnover in Nigeria.

Keywords: corporate performance; foods and beverages firms; sales revenue growth

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ОРИГИНАЛЬНАЯ СТАТЬЯ

Влияние роста выручки от продаж на корпоративные показатели нигерийских компаний — производителей продуктов питания и напитков

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АННОТАЦИЯ

Целью статьи является презентация метода и результатов исследования, связанных с определением влияния роста выручки от продаж на корпоративные показатели нигерийских фирм — производителей продуктов питания и напитков, зарегистрированных на фондовым рынке. В качестве методической базы исследования были использованы панельные данные из финансовой отчетности выбранных фирм за период с 2011 по 2020 г. Данные четырех фирм были получены с использованием метода целенаправленной выборки. В исследовании применялись корреляционный анализ и обычный метод наименьших квадратов для оценки исходных данных и результатов исследования. Исследованием также были охвачены восемь компаний по производству продуктов питания и напитков, котирующихся на нигерийской фондовой бирже. Результаты исследования показали, что коэффициент выручки от продаж по фондоотдаче имеет положительный и значимый знак (0.17548, P-значение 0.02 < 0.05) с результатом корреляции 0.8965. Авторы пришли к выводу, что рост выручки от продаж оказывает положительное влияние на корпоративные показатели зарегистрированных на бирже нигерийских фирм по производству продуктов питания и напитков с сильной положительной корреляцией между оборотом и эффективностью фирм. В рамках разработанных авторами рекомендаций директорам фирм по производству продуктов питания и напитков было предложено разработать новую стратегию, включающую в себя агрессивную рекламную кампанию в работе с потенциальными клиентами, чтобы увеличить свою долю на рынке и тем самым повысить уровень оборота их фирм в Нигерии.

Ключевые слова: корпоративная эффективность; производители продуктов питания и напитков; рост доходов от продаж

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Introduction

Attaining higher and adequate level of corporate performance is imperative for the success of foods and beverages as a business. Greater corporate performance can be achieved in the short-run by disposing part of the companies' assets for immediate survival. However, this type of performance is not sustainable in the long-run. Therefore, foods and beverages manufacturing firms must possess the business strategies that will enable their normal operations to generate higher profits. One of the most common measure of performance is the return on assets by dividing net profit after tax and interest by the total assets Ball et al. [1]. This model can tell how much of the profit was used to finance the assets of the company Ball et al. [Ibid.]. A company's performance can be measured using net profits ratio to total assets. Mansa [2] is of the opinion that the performance can be measured as the return on assets which is the earnings' after interest and tax divided by total assets. Measuring the return on assets is an evaluation of the how much of revenue contributed to the assets growth Ani et al. [3]. Profit making is a may issue in every business all over the world as a measure of the growth in sales revenue. Firms engaging in foods and beverages cannot do well without generating revenue that will generate cash inflow to meet their short term debts and invest the excess of it in corporate assets.

1. Background

Foods and beverages manufacturing industries playing significant roles in the economic growth of Nigeria by creating more employment opportunities and improve social-economic welfare of the populace in the country as the producers of the final households goods Ani et al. [4.]. Failure on the part of the foods and beverages companies in Nigeria and around the world to generate adequate revenue can cause them to seize to continue their business activities as no firm can survive without making enough sales Alao and Oloni [5]. The two industries have been recording highest performance like other industries such as the oil and gas, brewery and telecommunication Okwo et al. [6]. Growth of the foods and beverages firms' sales revenue is very paramount as most of the successful businesses in the world are those that have superb selling strategies Garison and Noreen [7]. Evaluating the growth in the revenue of the foods and beverages firms will expose how the business has performed. Revenue means the income a company got before removing any expenses. Sales revenue is an important component determining and accounting for about 85% of business success or failure in Nigeria and in the world Aashist [8]. Companies may get revenue that is higher than the sales figures with other income sources. Sales revenue refers to the economic value received after when goods were sold or services rendered to another party for money consideration Mansa [2]. Sales could be done on cash or credit and advance payment Osundina and Osundina [9]. Cash sale means cash on delivery Osundina and Osundina [ibid.]. Foods and beverages firms do sell goods or deliver services on credit basis to increase their volume of sales Osundina and Osundina [ibid.]. That means if the company could achieve the same level of sales with receivables, it is necessary to sell on credit Rashiul et al. [10]. The aim of managing accounts receivables is to maximize sales revenue, speed up the cash flow and improve firms' performance (Nzewi, 2007) [11].

A review of related literature also has discovered that some studies like Ball et al. [1]; Nzewi [11]; Rashidul et al. [10]; Mansa [2]; have used return on sales, earnings per share, return on investment among others to measure performance, but this study will use return on assets. The performance of foods and beverages industries were seriously affected by the poor state of Nigeria economy which reduced the number of the operating listed foods and beverages firms to almost eight (Ani, et al, 2012) [3]. However, the revenue growth of the firms is very imperative to avoid their failures as it was recently happened to the industry. All these issues required continuous studies to investigate the corporate performance level of the foods and beverages companies in Nigeria between 2011 and 2020. It is based on these identified gaps that this study is examining the effect of sales revenue growth on the corporate performance of listed foods and beverages manufacturing firms in Nigeria.

1.1. Objective of the study

The main objective of this study is to examining the effect of sales revenue growth on the corporate performance of listed foods and beverages manufacturing firms in Nigeria. Specifically, the study evaluates the effect of sales revenue on the return on assets of the listed foods and beverages manufacturing firms in Nigeria.

1.2. Hypothesis of the Study

Thus the study hypothesized that:

a. Ho: sales revenue has no effect on the return on assets of the listed foods and beverages manufacturing firms in Nigeria.

2. Literature Review

2.1. Corporate Performance

Corporate performance is an economic result achieved by a business. Corporate performance is the degree to which the business activity yields enough financial gain. Corporate performance is a measure that can be used to assess the value of a business. Corporate performance is the economic outcome of doing a business. Corporate performance is a situation when a company is generating better profit. Corporate performance can be defined as the financial benefit accrued to the company in ordinary course of business. Corporate performance reveals the healthy position of a business in financial term over a period of time as in Halabi and Lussier [12]. Corporate performance is the ability of a business to do investment and generate a return from its [1]. The main objective of firms is to enhance corporate performance Helen et al. [13]. Due to the prevailing market competitive conditions, business managers need to learn how to achieve a sustainable level of corporate performance for its survival in Helen et al. [ibid.]. Corporate performance is a measure of the efficiency of a business organization Helen et al. [ibid.]. Measuring the company's corporate performance will provides information on how to achieve business growth in Oladejo [14]. Corporate performance can be defined as the profit generation based on a doing a business in Weetman [15]. Corporate performance is the measure of efficiency that will guide management to achieve success in business as in Helen et al. [13]. Corporate performance is the ability to generate profit from the business activities [5]. Return on assets is a ratio used to evaluate the foods and beverages firms' operational efficiency in the study to provide an insight into how much profit is being generated from sales. An increasing in the return on assets is an indication that a company is growing more efficiently, while a decrease in return on sales could sound as a signal of impending financial troubles. Return on assets could be estimated to evaluate a company's operational efficiency in Mansa [2].

2.2. Sales Revenue Growth

Growth in the sales revenue will improve corporate performance. The terms "sales" and "revenue" in accounting may interchangeably mean the same thing. It is important to note that sales revenue growth does not necessarily mean cash received but sales level that will optimize profits. Sales revenue is the net economic value received by a business in return for the sales of goods or rendering a service through its business operation. Sales revenue is the income received by a company from its sales of goods. Sales revenue is the return on sales of assets, products and properties [5]. The price of goods or services sold to customers is recorded as revenue for the activity in the period of sale and delivery regardless of the period in which the corresponding cash is collected in Al-Qashi & Al-Oqlah [16]. Sale revenue is one of vital means of generating cash flow to upkeep of small, medium and large business enterprises as to settle their financial obligation in Ani et al. [4]. Sales revenue is the inflow of economic gain and a product of income statement, which is the total income that the entity receives as cash flows from the sale of its commodity products or services in Ball et al. [1].

Sales revenue growth means the top line number that appears at the top of the firms' income statements Ani et al. [4]. Sales revenue growth is measured at fair value or at the cash equivalent of assets received in accordance with International Financial Reporting Standards in Al-Qashi & Al-Oqlah [16]. In the case of the sale of goods or the rendering of services for goods or services that are not identical, the process is considered revenue generating. Revenue in this case is measured on the basis of the fair value of the goods or services received and adjusted for any cash or cash equivalents to be exchanged Al-Qashi & Al-Oqlah [ibid.]. Cash sale is an immediate payment for the goods and services [5]. Credit sale in the other hand leads to the creation of account receivable represented by trade accounts receivable in the statements of financial position of a the firms Ani et al. [4]. Credit sales are purchases made by customers for whom payment is delayed which may lead to the risk of bad debt losses. If the fair value of the goods or services cannot be reliably measured, revenue must be disclosed on the fair value of the goods and services that the entity relinquishes [16]. Sale revenue is the amount realized by a business from the sale of goods or services Ball et al. [1]. Sales are the proceeds a company generated from selling of goods or rendering a service to its customers. Sales is a process that resulted in a transaction between two or more parties where the buyers receive goods or services and the sellers get something worth of economic value in return usually money (Weetman, 2006) [15]. A portion of sales revenue may be paid in cash and a portion may be paid on credit, through means such as account receivables [5].

2.3. Theoretical Review

2.3.1. Economic Theory of Managerial Capitalization

This study is pinned on the Economic Theory of Managerial Capitalization introduced by Marris [17]. The theory stated that in considering the growth of the companies, manager should choose constant sales revenue growth rate that will ensure continuous growth of the corporate performance in Pandey [18]. This is what the choice of the higher growth rate is all about [ibid.]. Achieving higher corporate performance through the sales revenue growth, advertisement, constant research and sales revenue growth among other criteria are likely to usually influence the firms' performance and their values as in Pandey [ibid.]. As the interest of the business stakeholders is to stimulate sales revenue growth that will attract high returns on their assets. However the managers should play dual roles of satisfying the firms' sales revenue growth and maximize the interests of the stakeholders in Helen et al. [13]. The assumptions made by Marris [17] according to Helen et al. [13] managing the capitalization and performance is based on the price structure and production costs, where the firms assumed to grow through diversification, sales revenue and performance assumed to have increase at the same rate [5]. The theory expressed an optimistic that as the sales revenue continue to grow-up the corporate performance level also increases. Therefore, the theory of Managerial Capitalization is relevant to this study as it assist to determine the effect of sales revenue growth on the firms' corporate performance.

2.4. Empirical Review

Abdullahi [19] investigated "the effectiveness of advertising expenses on the sales revenue and profitability of some selected food and beverages firms in Nigeria". Secondary data was obtained and analyzed using correlation analysis and Ordinary Least Square regression model. The study found that advertising expenses has no positive significant relationship with the sales revenue of the selected companies. While the result. The study concluded that advertising is one of the most vital medium of influencing people to purchase companies products and when the sales improve, companies' performance will also improve. The study recommended that not only advertising should be given adequate attention while formulating sales revenue policies for the promotion, strategies and other related factors such as sales promotion, personal selling, publicity among others should be considered to increase the sales revenue and enhance profitability. Helen et al. [13] conducted a study to investigate "the determinants of profitability in listed consumer goods firms in Nigeria". The study used secondary source of data was used to collect a time series data on firm size, leverage, market share and return on asset between 2006 and 2015 which were sourced from the annual accounts and reports of the selected firms. Data gathered were analyzed using Pearson correlation and ordinary least square regression. Findings from the study indicated that there is strong relationship among the variables used in the study.

Al Hayek [20] investigated "the relationship between the sales revenue and net profit and net cash flows from operating activities in Jordanian industrial joint stock companies". The study carried out an analytical study using a descriptive analytical technique. Data gathered was analyzed using multiple regression equation. The results from the study revealed that there is a significant relationship between the sales revenue and net profit and net cash flows from operating activities of the companies. Ani et al. [4] investigated "the relationship between sales revenue and the profitability of foods and beverages industries in Nigeria". The study adopted an ex-facto design and used panel secondary data from the financial statements of the firms for a period between 2010 and 2018. The study used regression model, ANOVA and Correlation for data analysis. The study found that sales revenue does not have significant impact on return on sales and return on investment but it has significant effect on earnings per share of brewery industries in Nigeria. The study concluded that there is no significant effect of sales revenue on return on sales and return on investment but there is on earnings per share of brewery industries in Nigeria.

3. Methodology

This study adopted an expo-facto research design and focused on foods and beverages industries to examine the effect of growth in the sales revenue on the performance of the listed foods and beverages firms in Nigeria. The study uses secondary data by using panel data from the annual accounts and reports of listed breweries from 2011–2020. A sample of four (4) foods and beverages firms were purposively selected based on the availability of data from the study's population of eight (8) quoted Nigerian foods and beverages firms as at 31st Decameter, 2021. The companies are "Dangote Sugar Plc, Cadbury Nigeria Plc, Honeywell Flour Mill Plc, Multi-trex Integrated Foods Plc, Flour Mills Plc, Northern-Nigerian Flour Mills Plc, Union Dicon Salt Plc and National Salt Corporation of Nigeria Plc".. The study employed the correlation analysis and the ordinary least square methods to analyze data. The study used one explanatory independent variables of sales revenue growth measured in term of net revenue as the log of turnover figure, while the return on assets (ROA) is used as the dependent variable, the proxy for performance.

Table 1

Correlation Analysis Result

	ROA	SR
ROA	1.0000	
SR	0.8965	1.0000

Source: Data Analysis (2021), 5% level of significant.

3.1. Model Specification

This study adopted the model use by Ani et al. [4]. The adopted model is specified below:

$ROA_{it} = \beta_0 + \beta_1 SR_{it} + e_{it}$ 1.1

Where:

SR_{it} = Sales Revenue at time t (independent variable)

ROA_{it} = Return on assets at time (dependent variable)

β0 = Constant

βo, β1

et = Error term.

3.2. Results and Discussion

The study analyzed the data sourced for using the correlation analysis and the common effect model as presented below:

Table 1 presents the result of the correlation analysis showing a positive correlation between the return on assets and the sales revenue measured in term of log of turnover (r = 0.8965).

Table 2 reveals the results of the ordinary least square technique on the effects sales revenue growth measured in term of log of turnover on the performance of the selected listed breweries measured in term of return on assets. The result of Ward's test for heteroskedasticity with a statistic value of 15.86 and a p-value of 1.26 > 0.05 level of significant implies that there is no heteroscedasticity in the residuals. The ordinary least square result in Table 2 indicates the results of the adjusted R-square of 89 per cent implying that even if other variables in the error term were included in the model, sale revenue will still account for 86% of the variation in return on assets. The F-statistics of 14.865 indicates that that the model used is fit has a p-value of 0.0031 less than 0.05 level of significant. Wooldridge test

Table 2
Ordinary Least Square Result

Included 4 cross-sectional units, Time-series length = 10 using 40 observations Dependent variable: ROA				
	Coefficient	*Std. Error*	*t-ratio*	*p-value*
Const	−2.7530	0.6227422	−4102	0.0153
SR	0.17548	0.0243214	4.433	0.0252

Mean dependent var	−0.064321	S.D. dependent var	0.643210
Sum squared resid	3.765300	S.E. of regression	0.456721
R-squared	0.889320	Adjusted R-squared	0.864326
F-stat (2, 27)	14.86540	P-value(F)	0.003102
Log-likelihood	−7.12653	Akaike criterion	19.32145
Schwarz criterion	22.58432	Hannan-Quinn	18.23451
Rho	0.865432	Durbin-Watson	2.247218

Ward heteroskedasticity test-
Null hypothesis: no heteroskedasticity is present
Test statistic: LM = 16.7644
with p-value = P(Chi-square(5) > 15.8644) = 1.26l754
Wooldridge test for autocorrelation in data -
Null hypothesis: No autocorrelation (rho = 0)
Test statistic: t(2) = 375.021 with p-value = P(|t| > 375.021) = 0.796

Source: Data Analysis (2022) @ 5% significant level.

for autocorrelation with a statistic value of 15.86 and p-value of 1.26> 0.01 level of significant and Durbin Watson of 2 and above indicate the absence of autocorrelation in the data. However, the result of the ordinary least square revealed that the coefficient of net revenue of 0.17548 with the P-value of 0.0252 < 0.05 significant level is implying that sales revenue has a positive and significant effect on the return on assets of the listed Breweries companies in Nigeria. This result means a unit increase in the value of the independent variable of sales revenue will also increase the performance of the selected firms by 17 per cent.

4. Conclusion

Finding from the study showed that there exist a strong association between the sales revenue and the return on asset turnover and the performance of the listed foods and beverages firms in Nigeria measured in term of return on assets. Also, the results of ordinary least square revealed that sales revenue has a positive and significant effect on the performance of the listed breweries companies in Nigeria. This study is similar to the result of the study conducted by Al-Hayek (2018) who found a positive relationship between the sales revenue and the net profit and the net cash flow from their operations. The result is implying that is the managers of the foods and beverages companies can try to improve the sales revenue of their firms, the performance of the companies will go up. Therefore, the research work recommended that the Directors of the foods and beverages firms should strategize on how to improve on their advert coverage to increase their markets share that will improve the level of their firms' turnover.

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