

PRIMARY RESEARCH

# Impact of inventory control on the financial outcome of PZ Cussons Nigeria

Isyaka Mohammed Salisu <sup>1</sup>, Nuruddeen Abubakar <sup>2\*</sup>, Ezra Samaila Danbauchi <sup>3</sup><sup>1,2,3</sup> Department of Business Administration, Gome State University, Gombe, Nigeria

## Keywords

Inventory control  
Financial outcome  
PZ Cussons  
Inventory conversion  
Turnover ratio  
Financial performance

**Received:** 26 March 2023**Accepted:** 2 July 2023**Published:** 21 August 2023

## Abstract

The study evaluated how PZ Cussons Nigeria's financial results were affected by inventory control, as determined by inventory conversion periods and inventory turnover ratios. This study aims to investigate the impact of the inventory conversion period and the inventory turnover period on PZ Cussons's financial performance. Regression analysis was used to evaluate the data in this study, which employed the ex-post factor as its research design. The results showed that the financial outcome and inventory conversion were positively correlated. On the other hand, PZ Cussons Nigeria's financial results and inventory turnover ratios are negatively correlated. According to the study, the inventory conversion period needs to be respected. They consider that businesses experience more financial success when their conversion times are longer. Thus, these moments call for the proper response. The techniques employed by several Nigerian businesses to determine inventory turnover ratios do not lead to satisfactory results. As a result, companies must adhere to additional grade 12 accounting requirements, which centre on assessing and disseminating financial data. Three fundamental principles are accountability, transparency, and ethical behaviour. Learners can record, evaluate, present, and interpret financial data to make wise financial decisions. They will also be able to compute ratios in novel ways.

© 2023 The Author(s). Published by TAF Publishing.

## INTRODUCTION

Decreased sales in Nigeria and other locations have continued to significantly affect PZ Cussons Plc's profit, a multinational consumer goods maker. As reported by Reuters, the British company's earnings for the first half of 2019 were relatively low due to this issue. PZ Cussons Nigeria Plc. 's Nigerian affiliate produces soap brands such as Premier and Imperial Leather. These soap producers used to control the Nigerian market (Nkwo, 2023). Regretfully, events of late have changed the narrative (Rodrigo-Carranza, González-Mohino, Santos-Concejero, & González-Ravé, 2020). The corporation has repeatedly used the challenging economic climate, which has reduced millions of Nigerians' disposable money, to excuse its reported lower sales in that country. This has led to poorer consumer purchasing.

Nevertheless, regardless of the bad economy, people will always need soap regularly. PZ Cussons' shareholders have

authorized the N595 million dividend. This suggests that factors other than the economy may have contributed to the decline in demand for PZ Cussons soap products. The company's fierce competition from other soap manufacturers may have been a significant contributing factor (Akinleye & Oluyori, 2023; Rashid, Jehan, & Kanval, 2023). The corporation tried to enhance and rejuvenate the Premier Soap brand at the beginning of the year. In an attempt to retake the market, the corporation introduced two new Premier Soap kinds, as Naira-metrics revealed in August. It has so far launched several significant advertisements with the assistance of a few B-list celebs. This has not been a worthwhile endeavour. It should be mentioned that the British company has already held its Nigerian affiliate accountable for its declining financial performance. The company notified stakeholders through several trading updates last year that Nigeria's weak economy was impeding its overall ex-

\* corresponding author: Nuruddeen Abubakar

† email: nurabuwuyo@gmail.com



pansion.

Furthermore, [Nkwo \(2023\)](#), the pr, profits from the sale of its assets, allowed PZ Cussons Nigeria to avoid exporting its third and most significant loss in at least nine years in 2021. This helped the company maintain its finances in a tough year. During the review period, the company's sales almost hit N100 billion, a record high since at least 2013. It may have hit an all-time high. However, because of Nigeria's unrelenting inflation, which reached a 17-year high of 20.8% in September, income could not keep up with spending. Consequently, the business would have suffered its most significant post-tax loss in nine years. The statistics office released these figures on Monday.

Centurian PZ Cussons is a Nigerian trading company that was established in 1899. It works in the margin-tight, competitive, and inflation-prone fast-moving consumer goods market. Subsequently, its verified results report, which showed a 20.5% growth in turnover to N99.5 billion. Reasonable growth was observed in the company's two main income categories: durable electrical appliances and home and personal care items. The former contributed 58.9% of the top line, with the latter making up the remaining. The company's cost of sales, or the direct costs of making the goods it sold during that time, rose by more than 25% to N75.2 billion. Compared to the prior year, when no information was released, administrative costs rose by more than half to N10.2 billion, while property, plant, and equipment impairment totalled N3.4 billion. PZ Cussons saw an N4.2 billion foreign exchange loss at the same time in 2020 as opposed to an N6 billion loss. N10 billion was the pre-tax profit, more than three times what was recorded the year before. The former contributed 58.9% of the top line, with the latter making up the remaining. The company's cost of sales, or the direct costs of making the goods it sold during that time, rose by more than 25% to N75.2 billion.

Compared to the prior year, when no information was released, administrative costs rose by more than half to N10.2 billion, while property, plant, and equipment impairment totalled N3.4 billion. PZ Cussons saw an N4.2 billion foreign exchange loss at the same time in 2020 as opposed to an N6 billion loss. N10 billion was the pre-tax profit, more than three times what was recorded the year before. After thoroughly reviewing the related literature, the study discovered the following gaps that need to be addressed: none of the reviewed studies combined the proxies used in this study; they used either of the components of independent variables (Inventory conversion period and inventory turnover ratio). Additionally, most of the studies reviewed were conducted outside Nigeria. However, this

study was limited to PZ Cussons Nigeria. Similarly, The reviewed studies were based on the companies, whereas this is limited to PZ Cussons Nigeria; the reason behind choosing PZ is because of the continued decline in the performance of the company, which led them to close many of their branches and sacked many workers, and disengaging many staff may indirectly affect the economy since the number of unemployment increase there is the tendency of seen an incremental rate of crime in the country. On this note, the study on the impact of inventory management on the performance of PZ Cussons Nigeria emanates. Therefore, the study will examine the relationship between PZ Cussons's financial performance in Nigeria and inventory control, as evaluated by inventory conversion period and turnover ratios. According to [Amedu and Orji-Okafor \(2023\)](#), PZ Cussons Nigeria PLC's financial performance was so bad that it led to the closure of the majority of its branches, including those in the states of Gombe, Bauchi, Borno, Jos, and Kebbi. Thus, the study's objective is to ascertain the extent to which Inventory Conversion Periods (ICP) influence the financial performance of PZ Cussons Plc. To what extent do Inventory Turnover Ratios (ITR) affect the financial performance of PZ Cussons Plc?

## LITERATURE DEVELOPMENT

### Financial Outcome

A company's stakeholders can take various forms, such as employees, trade creditors, investors, bondholders, and management. Monitoring financial performance is crucial for every group. A company's ability to make money and effectively manage its assets, obligations, and stakeholders' and investors' financial interests is measured by its financial performance. A company's ability to use resources and create money from its main business activity is subjectively measured by its financial success. The expression can also refer to the overall financial situation of a business over a given period. One contentious issue that banks must continually address is profitability. A company is organic; it develops and flourishes over a specific time frame, often a year, on the difference between its revenue and expenses. Profit is the term used to describe this difference.

For this reason, a bank's capacity to make money is essential to its long-term existence and growth. There must be a healthy profit to sustain the business and raise capital for the bank's expansion and growth. Bank managers still have to spend a lot of time and effort making decisions on corporate profit planning since so many other variables influence the process. It will be even more complicated if the bank operates in a highly competitive economic environment like

Nigeria (Agbada & Osuji, 2013). How well a corporation has applied financial implementation criteria is determined by its financial performance. The profitability ratio looks at the total profit made in order to assess how effective management is overall. A higher profitability ratio is a more accurate indicator of the ability to produce substantial earnings. To assess the bank's financial size or profitability by contrasting its earnings in one year with those that preceded and followed. Comparing the profits results from a particular year is one way to assess a bank's performance. Tabari, Ahmadi, and Emami (2013) state that there are two alternative metrics for the profitability variable: the ratio of Return on Equity (ROE) to profit on assets (ROA). The ability of a bank to make a profit is theoretically measured by return on asset or ROA, despite the potential for trade-off balance sheet activities to introduce bias. Equity returns are represented by ROE, which is computed by multiplying ROA by the total asset-to-equity ratio. However, return on assets was the only metric used in this study to determine financial performance (Nkwo, 2023).

The financial performance of a corporation is measured by its numbers. Ultimately, though, it conveys a message regarding the company's stability. Any responsible investor who wants to comprehend and value a firm accurately must thoroughly analyze the company's financial records, which are compiled in annual reports and Form K-10s (Tella & Olatunji, 2023). However, it is essential to realize that financial performance only tells you what happened in the past; it can never provide an accurate picture of what will come. It also does not exist in a vacuum. It is imperative to consistently evaluate a company's financial performance relative to other comparable entities, the industry standard, and its historical records.

### Inventory Control

The goods or supplies a business intends to sell to customers to generate revenue are known as inventory. The process of tracking products from manufacturers to warehouses and from these sites to the point of sale is known as inventory management. It is an essential link in the supply chain. Inventory management aims to have the appropriate items in the right place at the right time. To do this, you must be able to view your inventory and know what, when, and how much to order (Gołaś, 2020).

The following are some essential steps in inventory management:

### Purchasing stock

: When an item is bought and prepared for sale, it is transported directly to the point of sale or the warehouse. Until it is required, stock is stored. Throughout your fulfillment network, materials or commodities are transferred until they are ready for shipping.

### Creating revenue from inventory

: The amount of products that can be bought is controlled. Orders are fulfilled by removing completed items. Shipments of merchandise are made to customers. One of a business's most essential assets could be its inventory. Inventory control is the glue that holds the supply chain together. When and when it is needed, having sufficient inventory might lead to satisfied customers. However, maintaining and insuring such a vast inventory comes with costs, and damage, theft, and rotting are ongoing concerns (Akinleye & Oluyori, 2023). Businesses that manufacture and have intricate supply chains must balance having too little and too much inventory. Sophisticated inventory tracking software has marginally replaced spreadsheets, manually computed stock levels, and manual order placement. The autonomy management system makes ordering, storing, and using commodities easier. Companies, by automating business administration, demand forecasting, accounting, and end-to-end production, managing inventories are different due to globalization, technology, and empowered consumers. Supply chain operators will use technologies that offer essential insights into how supply chain performance can be enhanced. They can identify opportunities in some sectors for considerable scale benefits and predict variations in logistics performance and costs before they occur.

### Inventory Conversion Periods (ICP)

The inventory conversion period, or the interval between buying fresh stock and the product's actual sale, establishes how long it takes to turn inventory into sales. The precise number of days that inventory is converted into sales can be found by dividing the inventory by the average sales or cost of sales and multiplying the result by 365. The inventory conversion period is the time needed to acquire raw materials to produce a product and market it. In essence, this is how long a business must invest financial resources before turning raw materials into a sale (Tella & Olatunji, 2023; Jam, Akhtar, Haq, Ahmad-U-Rehman, & Hijazi, 2010). The inventory conversion period estimates the time it takes to convert inventory into sales or from when the new stock is ordered until the product is sold. One can obtain the inventory conversion into sales precise days by dividing the

inventory by the average sales or cost of sales and multiplying the result by 365. The delayed cash conversion cycle and the money block in inventory are estimated using the high conversion duration.

Conversely, a shorter conversion period considers the average amount invested in the stock and minimizes unnecessary money-blocking and cash conversion cycles. The cash conversion cycle is based on how many days or months it takes to turn inventories into sales. You can prolong the conversion period by effectively managing the inventory and plugging gaps.

The formula is as under:

Formula = Inventory / Cost of Sales \* 365

There are two issues that make the inventory conversion duration a somewhat less helpful metric. Initially, the measurement is predicated on the notion that each item is created in-house (Akinleye & Oluyori, 2023). However, the inventory conversion period would either vanish entirely or dramatically shrink if a company decided to outsource production, possibly with a lower gross margin penalty. Second, if suppliers agree to extraordinarily lengthy payment terms, if buyers pay in advance, or if the time period to sell to customers is less than the terms to suppliers, then there is virtually no inventory conversion period at all from the standpoint of the flow of money. This is a revelation of the firm's lack of net cash investment in the deal.

### Inventory Turnover Ratios (ITR)

The number of times you sell off all of your inventory in a given time frame, such as a year, is known as your inventory turnover ratio, or ITR. The following formula for inventory turnover ratio can be used to determine it: Average inventory value/Cost of Goods Sold (COGS) (Hadiza & Mohamed, 2021). Inventory Turnover Ratio, also known as Inventory Turnover, gauges how well a business manages its inventory by looking at how rapidly it sells and replaces its product over a given period. It is computed by dividing the average inventory for the same period by the cost of things sold. The inventory turnover ratio only shows how quickly a company sells its products. It evaluates inventory and sales effectiveness. Additional words for inventory turnover include stock turns, stock turnover, and inventory turns (Akinleye & Oluyori, 2023; Ugwuanyi, 2016). For most sectors, a healthy inventory turnover ratio is between 5 and 10, which implies that you should replenish your stock every one to two months. This ratio finds a reasonable compromise between avoiding needless reorders and keeping the ideal inventory level on hand. A few companies, including Ready Ratios, monitor the industry-specific median ITR. Your in-

dustry's typical inventory turnover percentage might not benefit your business, even though knowing those figures is essential. A company's most crucial inventory control method is maximizing inventory turnover (Tella & Olatunji, 2023; Liew & Chou, 2016; Danladi, 2019). It would help if you looked into differences in inventory turnover by industry, company size, and other factors in greater detail. Divide your total cost of goods sold by the average inventory value to get your annual ITR. The average inventory value can be calculated by adding the beginning and ending inventory balances for a given month and then dividing the result by two.

Average Inventory Value ÷ Total Cost of Goods Sold (COGS) yields the Inventory Turnover Ratio (ITR).

Assume your average daily inventory value was \$100,000 and your annual sales were \$500,000. You can determine that your ITR was five by calculating your turnover ratio. This implies that you had five inventory replacements and sales. You can calculate the inventory sales for each day of the year by dividing your ITR by 365. What was the deadline for submitting your inventory? This means that your day's inventory sales would be 73.  $365 \div \text{Days' Sales of Inventory (DSI) Ratio of Inventory Turnover (ITR)}$ . Your financial records provide all the information required for a quick inventory turnover calculation, even though the software is the most accurate approach to measuring inventory turnover at a high level of detail (Akinleye & Oluyori, 2023). Use the calculator below or enter those values into the formula above to quickly determine your turnover ratio. The inventory turnover ratio is a financial metric that shows how frequently a company's inventory is sold and replaced over time. The inventory turnover formula and the number of days in the period can then be used to calculate the number of days required to sell the available inventory (Gołaś, 2020).

### Conceptual framework

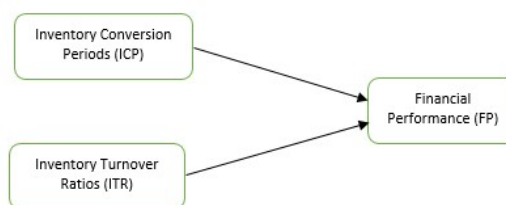


FIGURE 1. Conceptual model

### EMPIRICAL REVIEW

The work of Hadiza and Mohamed (2021) uses historical panel data analysis to assess the link between the inventory conversion period and Return on Net Assets (ROA) for

companies in the Nigerian conglomerate industry. The connection was evaluated using an ex-post factor research technique. The data came from secondary sources, including the annual reports and accounts of publicly traded companies between 2006 and 2017. The study population comprises six conglomerate companies listed on the Nigerian Stock Exchange. Descriptive statistics, Pearson correlation, fixed-effect and random-effect Generalized Least Square (GLS) regression techniques, the Hausman Specification test, and decision rules were among the analysis methods used in the study. The study's findings indicated a negative correlation between the Return on Assets (ROA) and the Inventory Conversion Period (ICP) of conglomerate enterprises in Nigeria. In a similar vein, The research conducted by [Orobia, Nakibuuka, Bananuka, and Akisimire \(2020\)](#) aims to ascertain the relationship between inventory management, financial performance, and managerial competence. Additionally, it explores the potential that inventory management mediates this relationship. Study designs that were cross-sectional and correlational were also employed. We employed a questionnaire survey that was sent to 304 Ugandan small businesses. A bootstrap analysis technique was employed to assess hypotheses using Analysis of Moments Structures (AMOS) software. The findings show a strong correlation between managerial skill and inventory management and the financial performance of small businesses. Furthermore, inventory management has a partial mediating role in the relationship between managerial ability and financial performance.

Additionally, [Karadağ \(2018\)](#) offers a review of the studies that look at how inventories, receivables, and cash management relate to the financial performance and competitiveness of small businesses. Four hypotheses are examined using Structural Equation Modelling (SEM), and 188 small and medium-sized businesses provided data for the study using structured questionnaires. The results of the regression study indicate that while inventory management tactics have a lower association with financial success, cash and receivables management strategies have a stronger correlation. The research also shows a strong positive association between financial performance and corporate competitiveness. This research aims to further our understanding of small business finance management by examining working capital management techniques and the connection between enhanced financial performance and competitiveness. It also suggests that financial performance is a crucial factor that increases small business competitiveness, which has important implications for regulators and owners/managers of small enterprises.

Furthermore, as [Amahalu \(2018\)](#) stated, his research aimed to determine the connection between inventory control and the financial success of brewing enterprises for seven years from 2010 to 2016. Return on equity, company growth, and return on assets were used to measure financial performance instead of financial success; the inventory conversion period was used to measure inventory management. Panel data for this study was obtained from Nigerian stock market journals, fact books, annual reports, and the financial statements of listed brewing enterprises between 2010 and 2016. The Ordinary Least Square (OLS) regression technique and the correlation coefficient were used to analyze the data with the assistance of the statistical program STATA 13. The findings indicated a sizeable positive relationship at the 5% significant level between return on assets, firm growth, and inventory conversion period, in addition to a positive and non-significant association between return on equity and inventory conversion period.

Additionally, [Onikoyi, Babafemi, Ojo, and Aje \(2017\)](#) investigate the impact of inventory management practices on the financial performance of Larfage Wapco Plc, Nigeria, by assessing the influence of the value of stock carried and the inventory policies in place on the company's profitability and cost of goods sold, respectively. The annual audited financial records were used in the survey design procedure for this inquiry. Descriptive statistics and field design were also used. The study's findings for hypothesis 1 showed that, between 2005 and 2013, there was a significant correlation ( $p$ -value of 0.005 and  $F$ -23.96) between the value of stock carried and the cost of goods sold; however, hypothesis 2 also showed a significant relationship ( $p$ -value of 0.001 and  $F$ - statistics 46.26). This proved a positive relationship between Larfage Wapco Plc's inventory management and control practices and profitability.

[Gołaś \(2020\)](#) then report the findings of their analysis of inventory management modifications and the verification of cause-and-effect relationships between inventory management outcomes and firm financial performance. Research on the food industry's several sections, or subsectors, was conducted in Poland between 2005 and 2010. An econometric analysis of the effects of inventory cycle length—in total, materials, production-in-progress, finished products, and commodities—on the financial performance of the branches, as measured by return on sales, equity, and assets, forms the basis of the study. A crucial measure of the effectiveness of inventory management, the study showed how the food industry branch system has a very varied inventory cycle duration.

Thus, [Akinleye and Oluyori \(2023\)](#) also examine the im-

impact of standard costing practices on the profitability of consumer products companies listed in Nigeria. The aim of the research is to determine the effects of standard costing on profit margin enhancement, cost variation reduction, and inventory management, and how these aspects affect the Return on Assets (ROA) of consumer products companies listed in Nigeria. The study employed a quantitative research methodology and used secondary data from financial statements and annual reports of listed consumer product businesses in Nigeria. A sample of businesses was selected based on predefined criteria, and relevant financial data was collected for analysis. A linear regression model examined the relationship between the application of standard costing practices and the return on assets. After adjusting for firm size and leverage, the regression analysis showed that applying standard costing practices significantly increases the Return on Assets (ROA) of listed consumable goods companies in Nigeria.

Additionally, [Tella and Olatunji \(2023\)](#) looked at how the cost of finished goods inventory affected profit after taxes, how the cost of work-in-progress inventory affected profit after taxes, and how these factors affected certain Nigerian manufacturing companies' profit after taxes. The study made use of secondary data from the annual reports of the selected companies. The gathered data were examined using descriptive and inferential statistical analysis methods. According to the study, there was no significant impact of raw materials on profit after tax ( $\beta = 7.912884$ ,  $p = 0.354$ ), a significant impact of finished goods on profit after tax ( $\beta = 34.81571$ ,  $p = 0.000$ ), and no significant impact of work in progress on profit after tax ( $\beta = -24.62591$ ,  $p = 0.506$ ). Based on the results, the study concluded that, depending on which subset of inventory costs is looked at, there are differences in the relationship between the profitability of manufacturing enterprises and inventory costs. The relationship gave finished goods inventory the most weight.

In a similar vein, [Nkwo \(2023\)](#) examined the impact of effective asset management on the financial performance of consumer products companies in Nigeria. One of the study's main objectives was the impact of the Property, Plant, and Equipment (PPE), inventory, and account receivables turnover ratios on the Return on Assets (ROA) of consumer products companies in Nigeria. Ex post facto research methodology was employed in this study, covering 2013 through 2022. Secondary data were extracted from the shortlisted Nigerian consumer products companies' annual reports and financial statements. The data analysis employed a fixed effect model in multiple panel regression. The outcome showed that the return on assets of the

sampled consumer goods firms in Nigeria is significantly ( $p$ -value 0.0267) and positively impacted by the account receivables turnover ratio ( $t$ -statistic 2.92988).

## THEORETICAL REVIEW

### Levelized Production (Underpinning Theory)

Another concept for inventory control is to keep labour costs as low as possible by building inventory gradually to avoid peaks and dips. If you wait to build items until you receive sales orders, you can be forced a hurry to add a third shift, hire overtime workers, or hire another producer to help with order fulfilment. Employees who are not working during sluggish times might need to be paid. If you can accurately forecast demand monthly, quarterly, or annually, you may allocate your output to keep an even flow.

Many manufacturers respond to orders from customers by producing goods. There is a thin line between overproducing (generating an undesired surplus) and waiting too long to fulfil orders, leaving unsatisfied customers. A lean idea called "levelized production" promotes daily production of the same quantity of goods. This functions well in somewhat predictable manufacturing environments, considering that MTO (Make-to-Order) manufacturing is becoming more popular than pure MTS (Make-to-Stock) manufacturing. It is essential to have historical data and forecasts based on your ERP system to achieve levelized production. Understanding this data will create balance and eliminate excess or shortfall in production. Consider a scenario where a business receives 60 widget orders in a given week. Ten orders arrive on Monday, and twenty orders arrive on Wednesday. With order history and predictions, the company might have accurately predicted this scenario and manufactured 12 widgets per day for a week or more if the pattern was likely to continue—a feat made feasible by ERP. [Amahalu \(2018\)](#) states that production is moving forward gradually and in line with consumer demand. Though this may sound unduly straightforward, the right ERP tools—lead times, scrap factors, bills of material, inventory positions, etc.—can help businesses enhance corporate management, define proper "levels," and comprehend real-world data.

A few advantages of levelized production are as follows: Lower Labor Expenses - Easier Objectives. When demand for manufacturing increases, it will become necessary to hire contract workers to help complete orders, work extra shifts, or pay overtime. On the other hand, Levelized manufacturing keeps labour costs constant while streamlining scheduling, production worker expectations, and monitoring procedures. It improved inventory position clar-

ity. Knowing and projecting how much you have on hand or will have helps lower inventory costs. This helps clarify your production staff's needs and your financial predictions. Better quality control thanks to leveled production: In the case of a quality problem, you can ascertain the effect on impacted units with speed.

Conversely, consider a large batch that is made and stored for an extended period before a quality problem is identified. In addition to being far more costly, this also makes it more challenging to determine the root reason for improved client support. Leveled production enhances your capability to fulfil large orders on time and to react swiftly to particular demands by keeping capacity from being wholly or overly scheduled. Customers are happier, and customer service employees are more knowledgeable.

## METHODOLOGY

The study used an ex post facto research design. The PZ Cussons financial statement covers the study's population for five years, from 2018 to 2022. Using a filtering mechanism, the sampling procedure is random. The sample size selection is determined by taking into account the ease of access to data during the study's duration, which is from 2018 to 2022. Only the Nigerian and African units are included in the sample size. This is consistent with the many previous

research. Panel data were also used in the study. In order to analyze the data generated for the study, Stata version 14 software will be used. The researcher employed regression analysis.

## Regression Analysis

Table 1 shows an  $R^2$  value of 57%. The coefficient of determination ( $R^2$ ) indicates that the explanatory variables (ITR, ICP) combined explain 57% of the variation in the dependent variable (ROA) of PZ Cussons in Nigeria. Based on the  $R^2$  of 57% and the wald  $\chi^2$  value of 0.57 ( $Prob.> \chi^2 = 0.000$ ), the model is deemed suitable for explaining the link presented in the study model. This shows how well the explanatory variables were selected, put together, and used. Furthermore, the  $R^2$  generated by this research compares well to the  $R^2$  from other studies. Furthermore, 43% of the variance in the dependent variable can be attributed to factors other than those in the study model, according to the  $R^2$  value of 57%. This shows that PZ Cussons' performance can be explained by variables other than (ITR and ICP). The following provides more explanation of the type and degree of link, expressed in terms of coefficients, z-values, and p-values, between each of the study's independent factors and the dependent variable:

**TABLE 1.** Summary of mixed-effect GLS regression result

ROA	Coef.	Std. Err.	z	$p> z $
ITR	2.452	.739	3.32	0.001
ICP	-.546	.318	-1.71	0.087
Wald $\chi^2$ (3)	=	0.57		
$Prob > \chi^2$	=	0.000		

Source: Computed by the author using version 14 stata statistical software

## Hypotheses Testing and Discussion of Findings

This section discusses the results of each of the hypotheses.

### Hypothesis 1

$H_01$ : Inventory Conversion Periods (ICP) have no significant positive relationship with the financial performance of PZ Cussons Plc. Table 1 demonstrates a significant positive correlation (significant at the 1% level) between the inventory conversion period and PZ Cussons Plc.'s financial performance, based on a beta coefficient  $p$ -value of 0.001. More excellent inventory conversion raises PZ Cussons' financial success. In contrast, lower ICP lowers PZ Cussons' financial performance, given the strong positive association between the variables. The new outcome validates the results

of a previous study by [Hadiza and Mohamed \(2021\)](#), which discovered a positive association between the parameters. However, the result contradicts the finding of [Orobia et al. \(2020\)](#). Based on the empirical evidence, the study's first hypothesis states that Inventory Conversion Periods (ICP) have no significant positive relationship with the financial performance of PZ Cussons Plc and is therefore rejected at the 1% level.

### Hypothesis 2

$H_02$ : Inventory Turnover Ratios (ITR) have no significant positive relationship with PZ Cussons Plc's financial performance.

The inventory turnover ratio and financial performance

have a negligible 5% correlation, as shown by Table 1's coefficient  $p$ -value of 0.087. This result went against previous hypotheses that predicted a positive relationship. According to this research, financial performance declines as inventory turnover rises.

In light of the empirical results on board independence, the study's second hypothesis—that inventory turnover has no discernible effect on PZ Cussions's financial performance—is accepted. The present result is consistent with the conclusions of Althaqafi (2020). However, this is not the same as Yankah, Osei, Owusu-Mensah, and Agyapong (2022) results, which indicated that inventory turnover improved financial performance.

## CONCLUSION

The study concludes that PZ Cussions Plc's financial performance and inventory conversion period correlate positively. Given the strong positive correlation between the variables, it can be concluded that higher inventory conversion leads to higher PZ Cussion's financial performance, while lower ICP results in lower PZ Cussion's financial performance.

## REFERENCES

- Agbada, A. O., & Osuji, C. (2013). The efficacy of liquidity management and banking performance in Nigeria. *International Review of Management and Business Research*, 2(1), 223-233.
- Akinleye, G. T., & Oluyori, J. O. (2023). The impact of standard costing on the financial performance of listed consumable goods companies in Nigeria. *Fuoye Journal of Accounting and Management*, 6(1), 30-49.
- Althaqafi, T. (2020). Effect of inventory management on financial performance: Evidence from the Saudi manufacturing company—Case study. *European Journal of Accounting, Auditing and Finance Research*, 8(10), 13-26.
- Amahalu, N. (2018). Inventory management and financial performance: Evidence from brewery firms listed on Nigeria stock exchange. *International Journal of Research in Business, Economics and Management*, 2(3), 72-93.
- Amedu, J., & Orji-Okafor, T. G. (2023). Financial reporting quality and share price movement of selected listed firms in Nigeria. *Central Asian Journal of Innovations on Tourism Management and Finance*, 4(8), 35-53.
- Danladi, J. (2019). A history of the transformation of water supply in Kano, Nigeria, 1924-1960. *Journal of Advances in Humanities and Social Sciences*, 5(1), 12-20. doi:<https://doi.org/10.20474/jahss-5.1.2>
- Gołaś, Z. (2020). Does inventory management improve profitability? Empirical evidence from Polish manufacturing industries. *European Research Studies*, 23(2), 939-961.
- Hadiza, B., & Mohamed, M. R. (2021). The effect of Inventory Conversion Period (ICP) on Return on Net Assets (ROA): Evidence from Conglomerate Firms in Nigeria. In *Conference: Transformation Agenda for Third World Communities in Evolving as Global Developed Nation: Multi-disciplinary Approach: Gombe, Nigeria*.
- Jam, F. A., Akhtar, S., Haq, I. U., Ahmad-U-Rehman, M., & Hijazi, S. T. (2010). Impact of leader behavior on employee job stress: Evidence from Pakistan. *European Journal of Economics, Finance and Administrative Sciences*(21), 172-179.
- Karadağ, H. (2018). Cash, receivables and inventory management practices in small enterprises: Their associations with financial performance and competitiveness. *Small Enterprise Research*, 25(1), 69-89. doi:<https://doi.org/10.1080/13215906.2018.1428912>
- Liew, C., & Chou, T.-N. (2016). The prediction of stock returns with regression approaches and feature extraction. *Journal of Administrative and Business Studies*, 2(3), 107-112. doi:<https://doi.org/10.20474/jabs-2.3.1>
- Nkwo, F. N. (2023). The impact of effective asset management on financial performance of Nigerian consumer goods corporations. *Annals of Management Studies*, 10(4), 13-22.

formance.

The study found that the inventory turnover ratio hurt PZ Cussions' financial performance. This finding suggests that financial performance decreases with increasing inventory turnover and vice versa.

## Recommendation

As per the study's summary and conclusion, firms seeking to effectively and efficiently accomplish their goals and objectives have to consider the subsequent recommendations promptly:

- The inventory conversion period must be upheld. Given that longer conversion times result in higher financial success for the businesses. Then, these times require appropriate attention.
- The methods used by different Nigerian companies to calculate inventory turnover ratios could be more conducive to producing favourable outcomes. Because of this, businesses must follow accounting guidelines and use creative methods to compute ratios.



- Onikoyi, I. A., Babafemi, E. A., Ojo, S. O., & Aje, C. O. (2017). Effect of inventory management practices on financial performance of larfage wapco Plc. Nigeria. *European Journal of Business and Management*, 9, 1905-2222.
- Orobia, L. A., Nakibuuka, J., Bananuka, J., & Akisimire, R. (2020). Inventory management, managerial competence and financial performance of small businesses. *Journal of Accounting in Emerging Economies*, 10(3), 379-398. doi:<https://doi.org/10.1108/jaee-07-2019-0147>
- Rashid, A., Jehan, Z., & Kanval, N. (2023). External shocks, stock market volatility, and macroeconomic performance: An empirical evidence from Pakistan. *Journal of Economic Cooperation & Development*, 44(2), 131-157.
- Rodrigo-Carranza, V., González-Mohino, F., Santos-Concejero, J., & González-Ravé, J. M. (2020). Influence of shoe mass on performance and running economy in trained runners. *Frontiers in Physiology*, 11, 573660. doi:<https://doi.org/10.3389/fphys.2020.573660>
- Tabari, N. A. Y., Ahmadi, M., & Emami, M. (2013). The effect of liquidity risk on the performance of commercial banks. *International Research Journal of Applied and Basic Sciences*, 4(6), 1624-1631.
- Tella, A. R., & Olatunji, T. E. (2023). Inventory management and profitability of manufacturing firms in Nigeria. *International Journal of Advanced Research in Management and Social Sciences*, 12(9), 52-68.
- Ugwuanyi, R. (2016). A review of the problems and challenges in the study of microbiology in Nigeria's tertiary institutions. *Journal of Advances in Health and Medical Sciences*, 2(1), 10-17. doi:<https://doi.org/10.20474/jahms-2.1.2>
- Yankah, R., Osei, F., Owusu-Mensah, S., & Agyapong, P. J. (2022). Inventory management and the performance of listed manufacturing firms in Ghana. *Open Journal of Business and Management*, 10(5), 2650-2667.