Components of Financial Information and of Firms Profitability in Nigeria

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ABSTRACT
The main purpose of the study is to examine components of financial information and firm profitability in Nigeria. After exhaustive literature review, secondary data was sourced from First bank Nigeria Plc. Components of financial information is proxied with current asset, total equity and non-current asset while profitability is proxied with profit after tax which is the dependent variable. The study employed ordinary least square (OLS) using SPSS statistical package. Findings reveal that there is positive and insignificant effect of current asset on profit after tax of Firms in Nigeria. There is Positive and significant effect of total equity on profit after tax of Firms in Nigeria. There is negative and significant effect of non-current asset on profit after tax of Firms in Nigeria. As a result, we deduced and concluded that components of financial information have a positive and significant effect on firm's performance in Nigeria. The study therefore recommends that Firms should optimize their working capital management by reducing idle current assets and channeling them into more profitable investments.
Keywords: *Components of Financial Information, Total Equity, Current Assets, Non-Current Assets,, Profit After Tax, Firms Profitability, Nigeria*

INTRODUCTION

Background of the Study

Financial information plays a critical role in the strategic and operational decision-making processes of corporate organizations. It serves as a fundamental tool for evaluating performance, attracting investment, complying with regulations, and managing resources effectively (Uwuigbe, Uwuigbe, & Daramola, 2022). In the context of Nigeria's dynamic business environment, the provision, quality, and transparency of financial information have become increasingly essential in shaping the profitability trajectory of firms.

Profitability, often measured by indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), is a vital indicator of a firm's financial health and its ability to generate returns for shareholders (Okoye, Akenbor, & Egbunike, 2021). For firms in Nigeria, where markets are characterized by volatility, regulatory complexities, and macroeconomic challenges, high-quality financial information is not merely regulatory compliance but a strategic necessity for enhancing profitability.

Several scholars have argued that the quality, timeliness, and completeness of financial reporting have a positive influence on firm performance (Onyali & Okafor, 2020; Charles & Uford, 2023). Financial statements, which include the balance sheet, income statement, cash flow statement, and statement of changes in equity, provide stakeholders with insights into a firm's operational efficiency, liquidity position, and long-term viability. When financial information is accurate and timely, it enhances investor confidence, supports credit accessibility, and guides cost management, all of which contribute positively to profitability (Olowokure, Tanko, & Nyor, 2021).

Moreover, financial information assists management in making informed strategic decisions such as investment appraisal, dividend policy, and capital structure planning areas that directly impact the bottom line of firms (Adediran & Joseph, 2020). Conversely, poor financial reporting practices can lead to misallocation of resources, increased cost of capital, and erosion of stakeholder trust, thereby adversely affecting profitability (Asuquo, et al., 2024).

In Nigeria, the implementation of International Financial Reporting Standards (IFRS) was expected to improve the quality of financial information. However, the extent to which this has translated into improved firm profitability remains a subject of academic and policy interest. Empirical evidence has produced mixed results; while some studies report a positive relationship between financial reporting quality and firm performance, others find the impact to be marginal or insignificant (Enekwe, Nweze, & Agu, 2022). This inconsistency highlights the need for further examination of how financial information affects firm profitability within the specific institutional, regulatory, and economic context of Nigeria.

Statement of the problem

The importance of reliable and timely financial information in influencing firm profitability cannot be overstated. However, in Nigeria, the corporate landscape continues to grapple with persistent challenges related to the quality, transparency, and relevance of financial reporting. Despite regulatory reforms such as the adoption of International Financial Reporting Standards (IFRS) and intensified oversight by bodies like the Financial Reporting Council of Nigeria (FRCN), there are widespread concerns over financial misstatements, earnings manipulations, late submissions of financial reports, and weak disclosure practices among firms (Enekwe, Nweze, & Agu, 2022). These shortcomings in financial reporting raise critical questions about the extent to which financial information effectively serves its purpose as a decision-making tool for internal and external stakeholders. More importantly, it casts doubt on whether high-quality financial reporting translates into improved profitability outcomes for firms in Nigeria.

Furthermore, empirical studies on the subject have produced mixed and inconclusive results some indicating a positive relationship between financial reporting quality and profitability, while others find little or no significant impact (Olowokure, Tanko, & Nyor, 2021). Given Nigeria's fragile macroeconomic conditions, currency fluctuations, high inflation, and a volatile business environment, the strategic use of accurate financial data should be a competitive advantage. Yet, many firms continue to post inconsistent profits, raising concerns about the actual value derived from financial reporting systems in use.

On a balanced perspective, the increasing complexities of financial instruments, the rise of non-financial metrics, and the demand for integrated reporting challenge the conventional role of financial information in profit maximization strategies. This study is therefore necessitated by the apparent disconnect between the availability of financial information and the level of profitability recorded by many firms in Nigeria.

Addressing this problem is critical for strengthening financial transparency, enhancing firm performance, and guiding regulatory and managerial reforms in Nigeria's corporate sector. It is on this backdrop that the researchers tend to evaluate the components of financial information and firm profitability in Nigeria.

Objectives of the Study

The main objective of the study is to evaluate components of financial information and firm profitability in Nigeria. The specific objectives were to:

1. Examine the effect of current asset on Profit after tax of firms in Nigeria,

2. evaluate the effect of total equity on profit after tax of firms in Nigeria, and
3. ascertain the effect of non-current asset on profit after tax of firms in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of financial information

Financial information refers to data derived from accounting records and financial reporting systems that provide stakeholders with a comprehensive understanding of a firm's financial performance, position, and cash flows. It typically includes the income statement, balance sheet (statement of financial position), statement of cash flows, and statement of changes in equity, along with accompanying notes. These components serve as the primary channels through which firms communicate their financial status to users such as investors, creditors, managers, regulators, and analysts (Uwuigbe, Uwuigbe, & Daramola, 2022).

The essence of financial information lies in its role in decision-making. It enables stakeholders to evaluate a company's profitability, liquidity, solvency, and operational efficiency. According to Akintoye and Opeyemi (2023), financial information acts as a decision-support tool by providing relevant, timely, and reliable data for forecasting, budgeting, and performance assessment. In the corporate context, high-quality financial information is crucial for securing capital, planning investments, and ensuring effective corporate governance.

Financial information is not just a statutory obligation but a strategic asset when it is prepared in accordance with generally accepted accounting principles and reporting frameworks such as the International Financial Reporting Standards (IFRS). The adoption of IFRS in Nigeria since 2012 was expected to improve the comparability, transparency, and reliability of financial reports across firms. However, challenges such as compliance inconsistencies and information asymmetry still affect the usefulness of financial data in practice (Enekwe, Agu, & Okonkwo, 2022).

Furthermore, the value of financial information depends on key qualitative characteristics: relevance, faithful representation, timeliness, understandability, comparability, and verifiability. These characteristics enhance the decision-usefulness of the information, especially for assessing firm profitability, performance trends, and risk exposures (Okoye, Akenbor, & Egbunike, 2021). For example, relevant financial information helps investors determine whether a firm is generating adequate returns on assets or managing costs effectively.

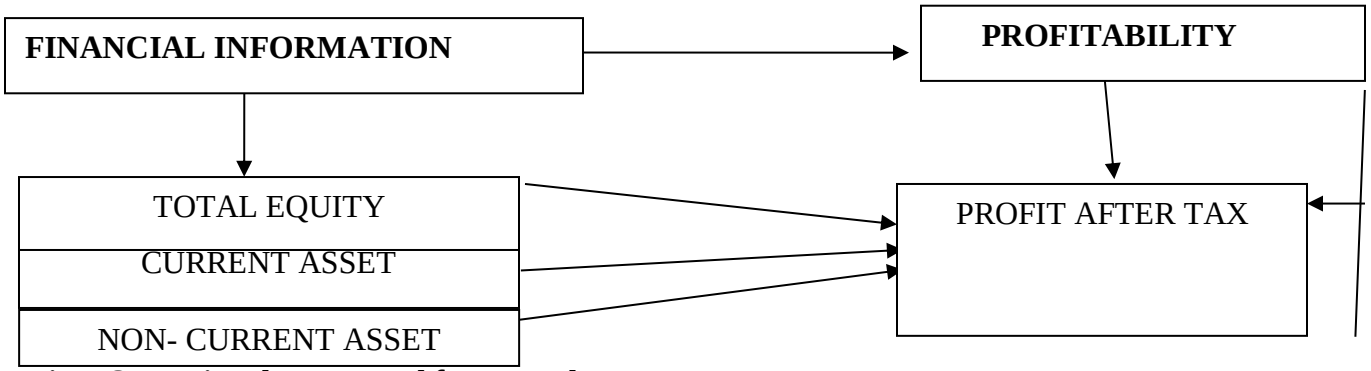

Fig 1 Operational conceptual framework

Source: Researchers view showing relationship between the dependent and independent variables.

Components of financial information

Financial information is structured and communicated through a set of interrelated financial statements that capture a firm's performance, financial position, and cash flow status over a given period. The key components of financial information include the income statement, statement of financial position (balance sheet), cash flow statement, statement of changes in equity, and the notes to the accounts. Each of these components plays a unique and complementary role in enabling users to assess the profitability, solvency, liquidity, and operational health of an organization. The components of financial information used for this study are current asset, total equity and noncurrent asset.

Current assets

Current assets are short-term economic resources owned by a business that are expected to be converted into cash, sold, or consumed within one financial year or within the operating cycle of the business, whichever is longer. They play a critical role in a company's liquidity management and operational continuity, forming the basis for meeting short-term obligations and financing day-to-day activities (Nwaobia, Kwarbai, & Ogundajo, 2022).

The major components of current assets include cash and cash equivalents, accounts receivable, inventory, short-term investments, and prepaid expenses. These assets are central to working capital management and determine the ease with which a company can settle immediate liabilities. According to Okoro and Adegbie (2023), effective management of current assets enhances a firm's cash flow, supports uninterrupted operations, and ultimately influences profitability and shareholder value.

In Nigeria, where firms operate in an economy characterized by inflation volatility, exchange rate fluctuations, and limited access to long-term financing, current assets often serve as the primary buffer against liquidity crises. Firms that strategically manage inventory levels, collect receivables efficiently, and maintain adequate cash reserves are better positioned to navigate financial pressures and maintain profitability. This aligns with the findings of Adebayo and Salawu (2021), who observed a significant positive relationship between current asset efficiency and the profitability of Nigerian manufacturing firms.

The relevance of current assets also extends to financial analysis. Ratios such as the current ratio and quick ratio are computed using current assets to assess a firm's short-term financial health. Stakeholders, including investors and creditors, rely on these indicators to evaluate the firm's ability to meet obligations as they fall due. Moreover, poor management of current assets can lead to overstocking, bad debts, and liquidity challenges, which may erode profits and increase financial risks (Akinola & Obasi, 2022).

Non-current assets

Non-current assets, also known as long-term assets, are resources owned and controlled by an entity that are not expected to be converted into cash, consumed, or sold within one year or the company's operating cycle, whichever is longer. These assets are held for long-term use in the production or supply of goods and services, for rental to others, or for administrative purposes, and they are fundamental to a firm's operational capacity and long-term value creation (Nwanji, Adebayo, & Adegbite, 2022).

Examples of non-current assets include property, plant and equipment (PPE)**,** intangible assets (such as patents and goodwill), long-term investments**,** and deferred tax assets. These assets are capital-intensive and typically depreciated or amortized over their useful lives, affecting profitability through annual expense

recognition. According to Adewale and Ogunro (2023), non-current assets are the backbone of capital-intensive industries and directly influence a firm's productive efficiency and earning capacity.

In Nigeria's corporate environment, effective investment in and utilization of non-current assets is essential due to infrastructural deficits, high operational costs, and capital scarcity. Poorly maintained or underutilized fixed assets may result in productivity decline, operational inefficiencies, and high maintenance costs. Conversely, firms that strategically manage their non-current assets often experience better performance outcomes in the long run (Okeke, Olayemi, & Bakare, 2022).

Furthermore, non-current assets serve as security for long-term borrowing and influence a company's capital structure decisions. Investors and analysts assess ratios such as non-current assets turnover**,** fixed asset intensity**,** and return on capital employed (ROCE**)** to evaluate how efficiently firms utilize their fixed investments to generate profits (Ibrahim & Yusuf, 2021). These indicators help determine whether investments in long-term resources translate into increased profitability and shareholder value.

It is also worth noting that International Financial Reporting Standards (IFRS), particularly IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets), guide the recognition, measurement, and disclosure of non-current assets to ensure consistency, transparency, and comparability across firms. Compliance with these standards enhances the reliability of financial reports and the informed use of non-current asset information in performance evaluation.

Total equity

Total equity**,** also known as shareholders' equity or owners' equity, represents the residual interest in the assets of an entity after deducting its liabilities. In financial reporting, it reflects the net value of a company attributable to its owners, comprising items such as share capital**,** retained earnings**,** other comprehensive income**,** and reserves (Onwuka & Akinwale, 2023).

Total equity plays a vital role in assessing a firm's financial health, solvency, and sustainability. It serves as a cushion against losses and provides a base for raising long-term capital. According to Eze and Egbunike (2022), total equity is a key component of the statement of financial position and is widely used by investors and analysts to evaluate a company's net worth and ability to generate returns. The higher the total equity, the more financially stable and less leveraged a firm is likely to be.

Equity financing, as opposed to debt financing, minimizes default risk and interest obligations, although it may dilute ownership. Firms in Nigeria often rely on a mix of equity and debt due to limited access to affordable long-term credit. The structure and size of total equity can significantly influence strategic decisions such as dividend policy, reinvestment, and mergers and acquisitions (Adebayo & Olorunfemi, 2024).

Moreover, performance indicators like return on equity (ROE) are calculated using total equity as a denominator, helping stakeholders assess how effectively management is using shareholders' funds to generate profit. Regulatory frameworks such as the International Financial Reporting Standards (IFRS) and the Nigerian Financial Reporting Council (FRCN) require transparent disclosure of equity components to enhance financial reporting quality and comparability.

In addition, total equity provides the basis for legal claims on a firm's assets in the event of liquidation and influences investor confidence and market valuation. A study by Salawu and Alade (2023) revealed that firms with stronger equity positions tend to enjoy higher credit ratings and lower capital costs in Nigeria's capital market.

Firm profitability

Firm profitability refers to the ability of a business to generate earnings relative to its revenue, assets, equity, and other financial resources over a specific period. It is a fundamental measure of a company's financial performance and is crucial for assessing its operational efficiency, sustainability, and attractiveness to investors (Abubakar & Olayemi, 2023).

Profitability is typically evaluated using financial ratios such as net profit margin**,** return on assets (ROA)**,** and return on equity (ROE)**.** These ratios offer insights into how well a firm utilizes its resources to generate income. For example, ROA indicates how efficiently assets are used to produce profits, while ROE reflects how well equity capital is transformed into net income (Oladipo & Amadi, 2024).

A profitable firm is more likely to attract investment, retain earnings for expansion, and fulfill its debt obligations. Profitability also influences strategic decisions, such as dividend payments, capital budgeting, pricing, and cost control. According to Nwachukwu and Ibrahim (2022), firm profitability in Nigeria is heavily influenced by macroeconomic factors, including inflation, exchange rate volatility, and government policies.

Profitability serves as a signal of firm health to external stakeholders such as investors, creditors, regulators, and analysts. Firms with sustained profitability are generally perceived as financially sound and competitive in the marketplace. Okafor and Salami (2023) noted that consistent profitability enhances a firm's reputation and market valuation, contributing to long-term growth and resilience.

In the Nigerian context, factors such as access to capital, quality of financial reporting, tax policy, and corporate governance have a significant impact on profitability. Additionally, technological innovation, industry competition, and managerial efficiency are critical determinants. Empirical studies have linked robust financial information systems and transparent reporting with improved profitability metrics (Balogun & Eze, 2023).

Moreover, firm profitability plays a vital role in the development of the national economy, as profitable firms contribute more to tax revenue, employment creation, and capital formation. It also determines the capacity of firms to reinvest in productive ventures and expand their operations.

Importance of financial reporting in business decision-making

Financial reporting plays a critical role in guiding business decision-making by providing stakeholders with transparent, timely, and relevant financial data about a firm's performance and position. It serves as the backbone for strategic planning, resource allocation, risk assessment, and investment decisions (Adebayo & Yusuf, 2023). Through financial statements—such as the balance sheet, income statement, and cash flow statement—business managers, investors, and creditors can assess profitability, liquidity, solvency, and operational efficiency.

According to Eze and Adeyemi (2022), quality financial reporting enhances internal control and accountability, ensuring that management makes informed decisions based on factual data rather than assumptions. For instance, budgeting decisions, cost management, expansion planning, and financing options heavily rely on financial reports.

For external stakeholders, such as investors and analysts, financial reporting fosters trust and confidence in the company. It supports due diligence, helps in pricing shares appropriately, and minimizes the risk of asymmetric information (Okonkwo & Ibrahim, 2023; Uford & Mfon, 2023). Financial reporting is also essential for compliance with regulatory frameworks like the International Financial Reporting Standards (IFRS) and the Companies and Allied Matters Act (CAMA) in Nigeria.

In the Nigerian context, proper financial reporting contributes to improved capital market activities, enhanced credit ratings, and better access to funding. It also helps regulatory bodies in policy formulation and tax administration. As noted by Musa and Agbo (2024), sound financial reporting enhances firm reputation and competitive advantage by signaling transparency and good corporate governance practices.

Financial Information Quality

Financial information quality refers to the extent to which financial reports provide accurate, complete, timely, and relevant information for economic decision-making. High-quality financial information enhances the usefulness of financial statements by ensuring that they faithfully represent the economic reality of an entity (Olayemi & Akinola, 2023).

Key attributes of financial information quality include relevance, reliability, comparability, consistency, and understandability (IFRS Foundation, 2021). Relevance ensures that the information affects decision-making, while reliability guarantees that the information is free from material error or bias. Comparability allows stakeholders to assess financial performance across periods and firms, while consistency ensures that similar accounting methods are applied over time.

Financial information quality significantly impacts investor confidence, cost of capital, firm valuation, and governance structures (Chukwu & Sunday, 2022). Companies that disclose high-quality financial information are more likely to attract investment, obtain favorable credit terms, and experience lower capital costs.

In Nigeria, issues such as weak regulatory enforcement, inadequate training, and ethical lapses have sometimes undermined the quality of financial information. However, reforms and adoption of IFRS have improved reporting practices and increased stakeholder trust (Afolabi & Bello, 2023).

High-quality financial information not only improves transparency but also reduces the risks of fraud, earnings manipulation, and misstatement. It facilitates better performance evaluation, aids compliance with laws and regulations, and ultimately supports sound economic decisions by all stakeholders.

Components of financial information and profitability

Financial information serves as the backbone for evaluating the performance and profitability of business entities. The components of financial information including the income statement, statement of financial position, cash flow statement, and statement of changes in equity play integral roles in understanding a firm’s financial health and profitability potential. Profitability, often measured through indicators like return

on assets (ROA), return on equity (ROE), and net profit margin (NPM), depends significantly on how effectively a company manages and reports these components.

The income statement, for example, provides insights into revenue generation and expense management, thereby revealing the firm's net earnings. Accurate and consistent income reporting is crucial for determining profitability (Ibrahim & Ogunyemi, 2023). Similarly, the balance sheet discloses the firm's asset base, liabilities, and equity position, which are important in evaluating the return generated on resources employed. Studies have shown that firms with stronger equity positions and healthier current and non-current asset bases tend to report more stable and higher profitability figures (Olaoye & Fadiran, 2024).

Cash flow information is also pivotal, as it indicates the liquidity and operational efficiency of the firm. Positive operating cash flows suggest that the company can sustain operations and reinvest profits, both of which enhance long-term profitability (Nwachukwu & Eze, 2023). The statement of changes in equity provides an understanding of how profit and other comprehensive income are retained or distributed, impacting retained earnings and, by extension, long-term growth potential.

Adebayo and Onikoyi (2024) found a statistically significant relationship between transparent financial disclosures and higher net profit margins in listed Nigerian manufacturing firms. Additionally, Adewole and Okonkwo (2023) observed that firms with robust current asset management recorded higher returns on assets compared to firms with poor working capital practices.

Overall, the interplay between these components forms the foundation upon which profitability is built and sustained. Inaccuracies or weaknesses in any component may lead to flawed decision-making and suboptimal profitability.

Theoretical Framework

The theories imbedded in the study are:

Signaling theory

Signaling theory Proposed by Michael Spence (1973) suggests that managers use financial information as a signal to convey the firm's quality and future prospects to external stakeholders such as investors, creditors, and analysts. The theory assumes that there is asymmetric information between company insiders (management) and outsiders (investors), and that high-quality firms voluntarily disclose more detailed and accurate financial information to distinguish themselves from lower-quality firms. This disclosure, in turn, builds investor confidence and can enhance profitability by attracting investment, improving credit terms, and boosting market value.

Agency theory

Agency theory Proposed by Jensen and Meckling (1976) addresses the conflict of interest between the principals (owners or shareholders) and agents (managers) of a firm. The theory posits that managers may not always act in the best interests of shareholders and may manipulate financial information to serve their own goals. To mitigate such conflicts, quality financial reporting is necessary for monitoring and aligning managerial actions with shareholders' interests. Strong financial controls, transparency, and accurate reporting contribute to firm profitability by improving governance and trust.

Stakeholder theory

Stakeholder theory Proposed by Edward Freeman (1984) expands the scope of accountability beyond shareholders to include all parties affected by a firm's operations such as employees, customers, suppliers, and the broader community. It suggests that firms that prioritize the interests of all stakeholders through transparent and comprehensive financial reporting are more likely to gain stakeholder loyalty, improve reputational capital, and ultimately enhance profitability.

Theoretical framework

This study is anchored on the Signaling Theory by Michael Spence (1973). The rationale is that firms that disclose high-quality and reliable financial information sends strong signals about their internal efficiency and financial health, which can influence investor behavior, creditworthiness, and ultimately profitability.

Empirical Review

Anyanwu and Igbokwe-Ibeto (2025) examine the real effects of firm solvency (a financial structure component) on financial performance among listed Information & Communication Technology (ICT) firms in Nigeria (2025) using ex-post facto design with secondary data and multiple regression analysis; they find that solvency ratios (such as debt-equity and interest coverage) significantly influence profitability metrics like ROA and ROE, concluding that maintaining moderate solvency enhances firm**.** Idamoyibo (2024) investigates the relationship between financial structure and corporate profitability of Nigerian conglomerate firms (2000–2020) using panel data and cross-sectional regression; findings reveal that debt–equity financing has a significant positive relationship with ROE, and firm age moderates this link significantly, concluding that older firms are better able to leverage debt to enhance profitability. Masud, Nwosu, and Izuagba (2024) assess the relationship between working capital management and firm profitability for 935 firm-year observations from Nigerian and South African firms (2018–2022) using panel multiple regression; they find that optimal investment in WCM variables yields favorable returns**,** concluding WCM components significantly affect profitability. Amibor and Olufemi (2024) investigate listed non-manufacturing firms in Nigeria (sample of 121 firms, 2016–2022) via multiple regression; they find that sales-to-working-capital ratio negatively affects profitability while inventory turnover ratio has positive and significant effect**,** concluding WCM strongly influences profitability in non-manufacturing firms.

Ngbomowa**,** Uwabuofu, and Idoko (2023) study industrial goods firms using ex-post facto design and multiple regression on ten listed firms (2012–2021); they report a negative significant impact of inventory and receivables on NPM and ROA, while CCC has a positive significant impact, concluding credit policy and WCM efficiency are essential. Olayinka and Adenikinju (2023) examine working capital management and profitability across manufacturing firms in six African countries (including Nigeria) from 2014–2019 using panel FMOLS; they find accounts receivable period and CCC have a positive significant relationship with profitability, concluding that WCM practices vary by country but matter**.** Umar, Usman, and Ibrahim**.** (2023) conduct a conceptual review of WCM and profitability in Nigerian firms, finding a clear positive correlation between WCM variables (CCC, inventory, payables) and profitability measures (ROA, ROE), concluding that efficient working capital management is vital for profit.

Ihenyen, Osakwe, and Adebanjo (2023) use correlation and regression to examine cash flow and growth in Nigeria's consumer goods firms; they find a weak positive correlation between cash flow and profit growth and a significant positive link between net cash flow and firm growth, concluding healthy cash flow supports growth albeit with trade-offs. Abdulkadir and Usman (2023) conceptually examine WCM components

(CCC, DSO, DIO, DPO) and financial performance measures (ROA, ROE, ROCE); they conclude having an optimal mix of WCM components improves financial performance, calling for empirical validation. Oke and Adebola (2022) examine the effect of working capital management on profitability in Nigeria's consumer goods sector using panel data from 13 quoted firms (2011–2020) and panel OLS with Hausman test; they find that cash conversion cycle (CCC) and accounts payable days are positively significant, while inventory days are negatively significant, on profitability, concluding that efficient working capital management boosts profitability.

Ilemona and Nwite (2021) use regression analysis on Ashaka Cement Plc data (2015–2019), relating inventory conversion period, debtors' and creditors' days, and CCC to ROA; they find ICP and CCC have **significant positive impact**, while DCP and CPP have negative effects, concluding effective WCM enhances manufacturing profitability. **Akinleye and** Adedayo, and Jimoh,**. (2018)** investigate non-financial quoted firms (2012–2016) using panel regression methods; they find free cash flow exerts a **negative impact** on asset growth, concluding that excessive free cash flow may erode growth potential.

Research Gap

While existing studies extensively investigate working capital management components (e.g., CCC, inventory, receivables) and cash flow in relation to profitability, none offer a comprehensive analysis of all the core financial information components such as income statement elements, balance sheet structure, cash flow activities, and equity movements together in a unified model explaining firm profitability. Most Nigerian studies focus narrowly on WCM or cashflow components within specific sectors, leaving integrated empirical assessment of all financial statement components and their combined impact on profitability unexplored.

This study aims to fill this gap by analyzing the distinct contributions of each component of financial information on firm profitability in Nigeria.

METHODOLOGY

Research design

Research design refers to the development of strategies for finding out something. In other words, research design refers to the overall strategy that you choose to integrate the different component of the study in a coherent and logical manner thereby ensuring that the research problem is effectively addressed. The ex-post facto research design was adopted in the study.

Sources of data

The study utilized secondary data in its development, and it was sourced from the financial statement of the bank in question (First bank Nigeria plc) for the period of 10 years (2015 -2024). The quantitative data collected covered the various proxies for independent and dependent variables of the study namely, current asset total equity, non-current asset and profit after tax.

Method of data analysis

The findings are products of the analysis carried out. The data collected during the research are analyzed using some statistical tools. The statistical tools adopted by the researcher depends on the design of the study which is based on the nature of the study's problem and objectives. Towards achieving the research's earlier objective, a multiple regression model was specified which guide the analysis of the data collected on the key variables of the study. The study utilized the ordinary least square (OLS). The ordinary least

square technique was adopted due to the properties of BLUE (Best, Linear and Unbiased Estimators). T-statistics is employed in establishing the individual relationship of each of the exogenous variable on the identified endogenous variable while F-statistics establishes the combine effect or relationship of the three exogenous variables on the endogenous variable.5% level of significance is utilized in the study.

Model specification

The model is thus:
PAT = F (CA, TE, NCA)
Where:
CA = Current asset
TE= Total equity
NCA= Non-current asset
PAT= Profit after tax

The model is specified econometrically as
$PAT=a_0+ \alpha_1CA+ \alpha_2TE + \alpha_3NCA + ei$
Where : a_0 = The constant or intercept of the model
α_1 = Coefficient of the first independent variable (CA)
α_2 = Coefficient of the second independent variable (TE)
α_3 = Coefficient of the Third independent variable (NCA)
ei = Error term

Econometric test

This test involves detecting the validity or possible violations of the classical linear regression assumptions based on which the OLS technique is applied. The test includes among others – multicollinearity test, autocorrelation test.

Autocorrelation test

Egbulonu (2005) stated that autocorrelation is a correlation between successive values of the same variable, with respect to regression model, it is assumed that there is autocorrelation in the error term U. The Durbin Watson test is adopted to find first order serial autocorrelation.

Decision Rule

If d is around 2- there is no autocorrelation, if d is closer to 0 – there is evidence of positive autocorrelation, if d is closer to 4- there is evidence of negative autocorrelation.

Multicollinearity test

Multicollinearity according to Gujarati and porter (2009) refers to the presence of linear or near linear relationship among the exogenous variables of a model. To test for possible extent of multicollinearity among Earnings per share, and Dividend per share, the researcher adopts the variance inflation factor (VIF) and condition index (CI). The variance inflation factor runs an auxiliary regression on the exogenous variable as each of them appears an endogenous variable.

Decision Rule

VIF < 10 here is no significant multicollinearity, VIF > or= 10 there is severe Multicollinearity. For condition index CI < OR = 30 there is no significant multicollinearity, CI > 30 there is severe multicollinearity.

This study utilizes 5% level of significance using F-statistics for the hypotheses test, the decision to accept or reject the null hypothesis is made based on the following rules; if the statistic from the test result falls within the significant region of 0.00-0.05, it indicates a significant relationship between the dependent and

independent variable. Thus, the null hypothesis will be rejected, and the alternative accepted. Conversely if the f-statistic shows a result that falls outside the significances region of 0.00 -0.05, it will indicate a case of no significance in which case the null hypothesis will be accepted, and the alternative rejected.

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

Data Presentation

This section places emphasis on the need to estimate, analyze and interpret the model already formulated. In addition, the hypotheses are also tested. Data collected on the proxies of the dependent and the independent variable. The current asset (CA), Total equity (TE) and Non-current asset (NCA) are independent variables while Profit after tax is a proxy for profitability which is the dependent variable.

Table 1: Data of Current asset (CA), Total equity (TE), Non-current asset (NCA) and Profit after tax (PAT) for 2015 to 2024

YEAR	CA (MILLION)	TE (MILLION)	NCA (MILLION)	PAT (MILLION)
2015	23,974	278,180	263,796	2180
2016	16,544	277,082	266,287	7507
2017	26,546	261,964	243,075	9275
2018	27,547	262,188	242,777	9342
2019	36,172	266,843	240,004	13862
2020	37,640	297,696	262,983	33860
2021	35,417	286,465	263,068	13048
2022	42,966	289,057	263,389	19,460
2023	41,916	282,286	263,619	15,170
2024	62,089	286,865	264,733	26,224

Source: first bank Nigeria plc (2015-2024)

Data Analysis and Interpretation

The table below shows the summarized result of linear regression analysis of our data for the study.

Results of regression analyses

The multiple regression models of this study as stated in chapter 3 were analyzed using the ordinary least square (OLS) regressions. The results of the analysis are detailed in the appendix but have been summarized in table 2.

Table 2: Results of the Regression Analysis

@ 5% level of significance	**Model (PAT)**
(Constant)b_0	-74297.105
(CA)b_1	0.222
(TE)b_2	0.962
(NCA)b_3	-0.726
Durbin Watson stat	2.268

Source: *Extracts from Appendix*

Table 2 shows that the intercept (b_0) of the regression model is negative at -74297.105, the result shows that when the proxies for independent variables in the model are zero, the dependent variable (PAT) will be negative. Results from the table 4.2 also indicate that the coefficient of the first (CA) independent variable in the model is positive as shown in the value (0.222). This indicated that the first independent variable has a positive relationship with the dependent variable (PAT). On the other hand, second (TE) also have a positive relationship with the dependent variable (PAT) and third (NCA) independent variable also shows a negative relationship with the dependent variable (PAT) as indicated in the values (-0.726).

The Durbin Watson result for the model confirms that the data used in the analysis is free from autocorrelation or serial correlation shown in the value (2.268) since it's close to 2, which further indicates that the data used in the analysis is valid.

Test for significance and decisions on the hypotheses of the study

The test for significance results using t-statistics is detailed in the appendix; however, a summary of the significance results which aids the decision for the three hypothesis of the study are summarized on table 3.

Table 3 Test for significance results (Test of hypotheses)

@ 5% level of significance	**Model (PAT)**			
	Hypothesis 1 (CA)	**Hypothesis 2 (TE)**	**Hypothesis 3 (NCA)**	
P-Value	0.177	0.011	0.036	
Remarks	**insignificant**	**significant**	**Significant**	

Source: *Extracts from appendix*

Hypotheses

H_{01}: There is no significant effect of current asset on profit after tax of firms in Nigeria.

From table 4.3, P > 0.05 for hypothesis 1 with the P-value being 0.177. This indicates that there is no significant effect of current asset on profit after tax of firms in Nigeria. The null hypothesis which states

that there is no significant effect of current asset on profit after tax of firms in Nigeria is accepted while the alternative hypothesis is rejected.

H_{02}: There is no significant effect of total equity on profit after tax of firms in Nigeria.

Table 4.3 shows that P-value in respect of the second hypothesis is 0.011 which implies that $P < 0.05$. With this, there is an indication of insignificant effect of total equity on profit after tax of firms in Nigeria. Therefore, we reject the null hypothesis and accept the alternative hypothesis and conclude that total equity has significant effect of profit after tax on firms in Nigeria.

H_{03}: There is no significant effect of non-current asset on profits after tax of firms in Nigeria.

The hypothesis test table above further reveals that the P–value in respect of the third hypothesis is 0.036 ($P < 0.05$) which suggests a significant effect of the independent variable (NCA) on the dependent variable (PAT). The study therefore rejects the null hypothesis and accepts the alternative hypothesis and conclude that there is a significant effect of non-current asset on profit after tax of firms in Nigeria.

Discussion of findings

The findings from the analysis and the test statistics are discussed in line with the objective of the study in the first chapter. Discussion of the findings is as follows:

The regression model analyzed in this study took care of the objectives and hypothesis of the study, which include objectives/hypothesis 1, 2, and 3. In the model, each of the proxies for components of financial information was regressed against profit after tax which is the proxy for profitability (dependent variable). The results reveal that current asset (CA) has a Positive and insignificant effect on profit after tax (PAT). It means that a unit increase in CA will lead to a 0.222 increase in PAT.

On the other hand, Total equity (TE) was found to have also positive and significant effect on profit after tax (PAT). This means that a unit increase in TE will lead to a 0.962 increase in PAT.

Also, the Non-current asset (NCA) was found to have a negative but significant effect on PAT. The F-statistics results do support this exertion as the independent variables is jointly significant to the dependent variable as indicated in the value (0.007). Also, the data are free from serial autocorrelation as indicated from the value of Durbin Watson which is (2.268) that indicates that the data is valid since it's close to 2. The (R^2) shows us the results of the coefficient of multiple determinations which tests for the Goodness fit of the model.

CONCLUDING REMARKS

Summary of findings

The overall results of the analysis in the preceding chapter of this study provide the following findings:

1. There is positive and insignificant effect of current asset on profit after tax of Firms in Nigeria
2. There is Positive and significant effect of total equity on profit after tax of Firms in Nigeria.
3. There is negative and significant effect of non-current asset on profit after tax of Firms in Nigeria.

Conclusion

Based on the major findings, the following conclusions were made:

The study examined components of financial information and firm profitability and concludes that components of financial information have a positive and significant effect on firm's performance in Nigeria.

Thus, components of financial information are statistically significant in determining firm's profitability in Nigeria.

Recommendation

The following recommendations are made based on the results of the study.

1. Firms should optimize their working capital management by reducing idle current assets and channeling them into more profitable investments.
2. Firms should optimize their working capital management by reducing idle current assets and channeling them into more profitable investments.
3. Firms should regularly evaluate their fixed assets to avoid over-investment in non-productive assets that do not enhance profitability.

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APPENDIX

```
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA COLLIN TOL
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT PAT
  /METHOD=ENTER CA TE NCA
  /RESIDUALS DURBIN.
```

Regression

[DataSet0]

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	NCA, CA, TE[b]	.	Enter

a. Dependent Variable: PAT
b. All requested variables entered.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.920[a]	.847	.770	4500.16915	2.268

a. Predictors: (Constant), NCA, CA, TE
b. Dependent Variable: PAT

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	670480009.071	3	223493336.357	11.036	.007[b]
	Residual	121509134.529	6	20251522.421		
	Total	791989143.600	9			

a. Dependent Variable: PAT
b. Predictors: (Constant), NCA, CA, TE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statist	
		B	Std. Error	Beta	t	Sig.	Tolerance	V
1	(Constant)	-74297.105	38608.101		-1.924	.103		
	CA	.222	.145	.300	1.529	.177	.665	
	TE	.962	.267	1.234	3.603	.011	.218	
	NCA	-.726	.269	-.829	-2.695	.036	.270	

a. Dependent Variable: PAT

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	CA	TE	NCA

1	1	3.923	1.000	.00	.00	.00	.00
	2	.076	7.171	.00	.69	.00	.00
	3	.001	66.295	.99	.07	.06	.10
	4	.000	136.255	.01	.23	.94	.90

a. Dependent Variable: PAT

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2694.9919	29607.8262	14992.8000	8631.20958	10
Residual	-5200.31592	4812.00830	.00000	3674.37273	10
Std. Predicted Value	-1.425	1.693	.000	1.000	10
Std. Residual	-1.156	1.069	.000	.816	10

a. Dependent Variable: PAT