World Academics Journal of Management
Research Paper
Vol.10, Issue.3, pp.35-40, September (2022)
E-ISSN: 2321-905X

Evaluation of Financial Performance in Nigeria Cement Sector: A Case Study of Dangote and Bua Cement

B. Muhammad[1*], A.M. Yamma[2], M.B. Babanumma[3]

[1]Dept. Social Studies, School of Secondary Education, Sa'adatu Rimi College of Education, Kumbotso, P.M.B. 3218 Kano State, Nigeria
[2,3]Dept. of Political Science, Faculty of Social Sciences, Nassarawa University, Keffi, Nassarawa State

[*]Corresponding Author: bashirmuhammad401@gmail.com

Available online at: www.isroset.org

Received: 15/Mar/2022, Accepted: 20/May/2022, Online: 30/Sept/2022

***Abstract*—** The present survey targeted 400 samples (Bua and Dangote cement workers). The respondents were chosen based on their knowledge and experience in cement sector. Stratified sampling approach was used followed by simple random sampling in this investigation. In this study, all of the elements in a given stratum are identical in terms of the relevant parameter. The questionnaire comprised of 11 questions including socio-demographic that described issues operationalized in the financial performance framework. The responses were graded on a five-point Likert scale ranging from strongly agrees to strongly disagree. The study used descriptive statistics (frequency and percentage) as tools for data analysis. Three hundred and eighty-nine persons responded, resulting in a response rate of 97 percent. The result shows that, males account for 266(63.4%) of the respondents, while females account for 123(31.6 %). With 137 responses, the majority of those respondents are between the ages of 41-50 (35.2 %). The majority of respondents (30.1%) have earned a certificate from a tertiary institution, while 116, or 29.8%, have earned a secondary certificate, and only 78(20.1%), have earned a primary certificate. This study found that the degree of production in both Bua and Dangote cement can effect revenue generating. The respondents revealed that excellent accountability minimizes the level of bad financial performance among both Bua and Dangote cement enterprises, based on the data provided. The findings also suggest that implementing corporate governance in both production and non-production organizations boosts productivity, resulting in improved financial performance. Based on the findings, it was obvious that production companies were typically registered with multiple insurance companies in order to reduce the risk of losses that could occur at any time. Furthermore, the majority of respondents believed that profit realization by enterprises (both Dangote and Bua cements) was due to product developments rather than managerial styles, financial prudence, or worker incentives. Most of the respondents firmly agreed that both Dangote and Bua cement firms had held much of their working capital, allowing them to make more products, resulting in better sales and, as a result, improved financial performance. However, both Bua and Dangote practiced strong corporate governance by using financial indicators to assess how well their companies manage their debts. Also, when a company's debts were correctly managed, the organization's financial performance would improve.

***Keywords*—**Accountability, Bua, Dangote, financial, insurance, performance

I. INTRODUCTION

The "Performance" is a word originates from the old French word 'Parfournir'; whose meaning is to bring through, to carry out, to do or to bring forth. Performance is an act of performing, implementing, achieving, and fulfilling of the given tasks that needs to be measured against defined sets of precision, money, fullness and timing. In finance, it refers to the measurements of the company's policies, activities and operational results in financial terms. It is used to check a company's success, compliance and financial position. These results are reflected in the firm's return on investment, assets, equity, capital employed and profitability [1].

Financial performance is an extent to which a company financial health over a period of time is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used to evaluate similar companies from the same industry or to compare industries in aggregation [1].

According to Solomon [2], financial performance in broader sense refers to the degree in which financial objectives have been accomplished. It measures how well a company has fared in monetary terms and its overall financial health for a particular period. Financial performance is a subjective measure of how well a firm utilizes its assets from its business operation to generate profit [3]. However, financial performance is used to predict the financial well-being of a company, over a period of time. This can be measured in different ways such as: Return on Capital Employed (ROCE), Return on Asset (ROA), Return on Equity (ROE) and Markets Share Growth [2].

Financial success is a crucial indicator of a company's future growth. Several things influence it, including cost, revenue, and a company's profit margin. The company's operational and financial efficiency, which are linked to cost and revenue, may have an impact on its financial performance. Cement industries are significant contributors to the country's economy and its production has been steadily increasing [4]. Nigeria achieved self-sufficiency in cement production and began exporting it to neighboring countries and beyond. Cement manufacturing is currently the country's most advanced sector. These elements have a negative impact on impaction profitability in the long run.

I.I STATEMENT OF THE PROBLEM

The consequences of financial performance of the Nigerian companies are very important to the revenue generation and employment opportunities to the Nigeria populace and economy at large. Evidence from researchers shows that, good corporate governance among the Nigerian cement companies have been found to be more productive and profitable in terms of financial performance than those without good corporate governance [5]. Companies with sense of corporate governance are more likely to perform better financially. This is due to the fact that organizations that practice corporate governance will have a better production performance financially [6] which in turn increases financial performance, such as ability to pay trade creditors, adequate return on shareholders and attract investors. Equally, studies in corporate governance revealed that, good corporate governance in cement companies and other organizations continues to be a major problem of management, shareholders, investors and board members.

Therefore in an attempt to improve financial performance of cement companies, there is need for organization to be more proactive in practicing all the dimensions of corporate governance such as environmental awareness, risk management, ethical behavior, corporate strategy as well as compensation. Hence cement companies should have a good management team who can be instrumental towards achieving the organizational goals, and objectives, particularly in the present competitive environment and globalization. Therefore to increase financial performance, cement industries must have ensure that their, management and stakeholders worked towards organizational goals and objectives [5]. However financial performance is one of the difficult task organizations are suffering from. This is evidence in the financial statement of those companies. Also, Nigeria stock exchange have published the names of many delisted companies as a result of poor financial performance in Nigeria which clearly indicated inability to practice corporate governance to a greater extent affect their financial performance negatively. Alarmingly also, the cement industry is experiencing a growing trend in terms of poor financial performance due to inadequate capital and investors [7] while the investors will invest somewhere due to the fact that other industries were having more commitment to their production, accountability and entire corporate governance set up without any concern to other organizations where he made his investment for the first time, which signifies a problem in terms of economic development to the society [1]. In view of the foregoing, this study was undertaken to investigate financial performance of cement industries through good governance, financial accountability and strategic insurance of the organizations.

I.II OBJECTIVES OF THE STUDY

The aim of this research is to assess the factors that enhance good corporate governance of cement companies in Nigeria. The specific objectives are as follows:- To find the level of financial performance among cement companies in Nigeria. To assess if there is relationship between corporate governance and financial performance among cement companies in Nigeria.

II. REVIEW OF RELATED LITERATURE

References [8,9] demonstrates the financial performance of cement companies in Iran contrasting the performance for the time 2006 to 2009 using different financial ratios and criteria. The research shows variety in the financial performance depends on profitability rather than on the basis of liquidity ratio and financial leverage. Mizan & Hossain [10] investigated the financial stability of Bangladesh's cement sector. They used Altman's Z-score and one-way ANOVA procedures to study five different cement businesses. However, the analysis revealed that only two enterprises were in a strong financial situation, one of which was financially sound, while the other two were on the verge of going bankrupt. It was also suggested that the executives take the required actions to correct the situation.

Soni [11] used ratio analysis tools to investigate the financial performance of India's JK cement. The study's goal was to look at the financial circumstances of a few companies. The current and quick ratios were found to be below the industry standard, yet the company met its short-term obligations. The debt-to-equity ratio was higher than average, and the inventory turnover ratio fluctuated throughout the research period. As per the report, if JK cement is unable to reduce its debt-to-equity ratio, it may face bankrupt. Venkatacham & Kasthuri [12] used an analysis of variance (ANOVA) to look at the financial performance of the cement sector in India from 2006 to 2016. The study's target was to look at the financial performance of the cement sector in India and look into the elements that affect it using a profitability model. The findings of the study revealed that all of the ratio assessments had an impact on the cement businesses' profitability. The study proposed that the industry lessen the burden of interest by providing high-quality products and establishing a strong brand image. It was also recommended that management make use of all available manufacturing capability.

Daryanto [13] used the decree of the Ministry of SOEs No.KEP-100/MBU/2020 and descriptive financial ratio on two state-owned cement industries, PT. Semen (Indonesia) and PT Semen (Baturaja), to measure the financial performance of the cement industry during infrastructure development in Indonesia. According to the report, PT. SB and PT. SI conducted the business based on solid financial performance during the periods. Furthermore, it provided great financial performance guidance to cement sector executives. Gopi [14] used the extended DuPont technique of three cement companies to investigate the financial performance of the Indian cement sector. The ROE, pretax margin, asset turnover, interest load, tax efficiency, and equity multiplier were all highlighted in the extended DuPont approach. The results showed a decrease in profitability (ROE) over time, and the financial performance of all three companies appeared to be similar in terms of ROE with only minor differences. It also demonstrated that calculating ROE isn't necessary for making sound economic judgments.

Khan & Al-Maktoumi [15] used various ratios to examine the financial performance of selected Omani commercial banks in order to assist stakeholders in making appropriate decisions. Financial performance was measured by ratios and there was a substantial correlation between return on equity (ROE) and return on assets (ROA) [16]. Kanakriyah [17] indicated that the company's financial success as measured by the ratios influenced the dividend policy significantly. Majeed [18] used Altman's Z score to conduct a study on the financial progress of the cement industry in Pakistan. The study's findings revealed that the financial progress analysis was satisfactory throughout the study period. They advised clients to invest their money in order to earn a high rate of return. The study period analysis was superior to previous analyses.

III. METHODOLOGY

The survey gathered responses from 400 people, the majority of whom worked in the cement sector, including professional specialists and investment analysts, shareholders, and customers, among others. The respondents were chosen based on their knowledge and experience in the sector. Three hundred and eighty-nine persons responded, resulting in a response rate of 97 percent.

In order to gain a thorough understanding of the topic matter, this study used the case study approach as its research strategy. The survey method is employed as primary data. Data from secondary sources of information was used to supplement this. Based on a sample of two cement industries in Nigeria, the study was carried out. Only 389 questionnaires were retrieved from a total of 400 that were distributed to the cement sector. The questionnaires were personally administered to the employees of the respective cement factories, and a response rate of 97 percent was obtained. The structured questionnaire was used to collect relevant data from Kano residents who expressed an interest in the issue. The questionnaire comprised of 11 questions including socio-demographic that described issues operationalized in the financial performance framework. The responses were graded on a five-point Likert scale ranging from strongly agrees to strongly disagree. The questionnaires were constructed in such a way that the data obtained from them was directly sent to the employees of the respective cement firms.

The Stratified Sampling approach was used in this investigation. Stratified sampling divides the population into groups that are significantly diverse on key variables. Each group is referred to as a stratum (plural strata). Each group is referred to as a stratum. In this study, all of the elements in a given stratum are identical in terms of the relevant parameter. The companies were chosen using simple random sampling procedures and sorted into strata. The study used descriptive statistics (frequency and percentage) as tools for data analysis.

IV. RESULTS

The data are presented and analyzed, based on the findings extracted from the questionnaires. Descriptive statistics (Frequencies and Percentages) was employed followed by the interpretation of findings, explaining and discussing of results obtained. The demographic information of the respondents is presented in Tables **1-4** above. Table **1** shows that, 40(10.3%) of the respondents were between the age of 18-25. Whereas, 135(34.7%) of the respondents were between the age of the 26-40. Of the 389, 137(35.2%) of the respondents were 41-50. Also, 77(19.8%) of the respondents were between the age of 51-above years. This revealed that majority of the respondents were between the ages of 41-above which has 137(35.2%). From table **2**, it is clear that 266(63.4%) of respondents were male while on the other hand, 123(31.6%) of the total respondents were female. The result of the respondents reveals that the degree of male respondents was higher than the female respondents. Also based on level of education of the respondents shows that 78(20.1%) attained informal education, 78(20.1%) of the respondents attained primary school, 116(29.8%) of the respondents attained secondary school, while 117(30.1%) of the respondents attained tertiary (**Table 3**). This indicates that majority of the respondents (117, 30.1%) has attained tertiary schools. Based on the respondents profession, 58(14.9%), 78(20.1%), 97(24.9%) and 97(24.9%) of the respondents were facilities maintenance, ready mix batch, yard workers and production team respectively. Whereas, 39(10%) and 20(5.1%) of the respondents were both plant welders and plant supervisors respectively. This indicated that majority of the respondents were yard workers and production team.

Table 1: Percentage Distribution of Age Group

Age	Frequency	Percentage (%)
18-25	40	10.3
26-40	135	34.7
41-50	137	35.2
51-above	77	19.8
Total	**389**	**100**

Table 2: Percentage Distribution of Respondents by Gender

Sex	Frequency	Percentage (%)
Male	266	68.4
Female	123	31.6
Total	**389**	**100.0**

Table 3: Classification of Respondents by Educational Qualification

Qualification	Frequency	Percentage (%)
Primary	78	20.1
Secondary	116	29.8
Tertiary	117	30.1
None	78	20.1
Total	**389**	**100**

Table 4: Classification of Respondents by Profession

Profession	Frequency	Percentage (%)
Facilities maintenance	58	14.9
Ready mix batch	78	20.1
Yard workers	97	24.9
Production team	97	24.9
Plant welders	39	10.0
Plant supervisors	20	5.1
Total	389	100

From the responses, 353(90.7%) of the respondents strongly agreed that good accountability reduces the level of poor financial performance among both Bua and Dangote cement companies. Off the 389 respondents, 36(9.8%) of the respondents agreed that fairness in the cement companies improves financial performance which promotes national economy at large. From the table (**5**), it is clear that respondents with the view that when good accountability exists in the cement companies exists especially in Dangote and Bua cement companies there will be better financial performance which will bring higher profit and promote national economy at large. Table **6** indicate that 156(40.1%) of the sampled respondents staffs strongly agree with that production level can affect revenues generation in their companies. Similar number of respondents (156, 40.1%) agreed that production can same increase or decrease the revenue generation of both company and government. On the other side, 77(19.8%) of the respondents disagree with the notion that production improved revenue generation.

Table 5: Respondents Views of Good Accountability or Fairness

Response	Frequency	Percentage (%)
Strongly agree	353	90.7
Agree	36	9.3
Total	**389**	**100**

Table 6: Impact of Production to the Revenues Generation

Responses	Frequency	Percentage
Strongly agree	156	40.1
Agree	156	40.1
Disagree	77	19.8
Total	**389**	**100**

Table **7** clearly indicates that 195(50.1%) of the respondents strongly agreed that production companies mostly were registered with many insurance companies in order to minimize the rate of losses which may happened at any moment. Of the 389, 156(40.2%) of the respondents agreed with the assertion that all production companies must be insured by an insurance companies in order to reduce the loss. Also, there were 38(9.8%) of the respondents whom strongly agreed that registration with insurance companies minimize losses because the company will eventually reduce or pay back all the loss money. As presented in table **8**, 115(29.7%) of the respondents agreed that they were getting the profits as a result of good management styles not innovations, not financial prudent and incentives to the workers. Also, 153(39.3%) of the sampled respondents strongly agreed that realization of profit by the companies was a result of good managerial styles, not innovation, not financial prudent and not incentives to the workers. Some of the respondents (115/29.7%) strongly agreed that only through incentives which encouraged workers makes them to make profit at all time. Table **9** indicated that 135(34.7%) of the respondents, strongly agreed that both Dangote and Bua cement companies had hold much of its working capital which as a result enable the company to produce much products which led to higher sales and as a result increase the financial performance of such companies. While, 118(30.3%) of the respondents whom were production team and plant welders believed that both Bua and Dangote cement companies avoid collapsing as a result of holding much of its assets to their working capitals. Among the 389 respondents, 136(34.9%) of the respondents disagree views where they said putting much of its assets in working capital is not proper, they said that it would have been better to invest some and keep some in other businesses, rather than holding all of them in the working capital. Table **10** shows that 349(89.7%) of the respondent agreed that both Dangote and Bua cement companies adopted good corporate governance through the use of financial metrics on how well their companies manages their debts. They believed that when debts of the company had been properly managed, there will be better financial performance in an organization. In addition, 40(10.3%) of the respondents disagree with the notion that used of financial metrics to find and manage a company in terms of corporate governance is insufficient.

Table 7: Respondents views on the issue whether cement production companies had incurred a loss with an insurance company before

Responses	Frequency	Percentage %
Strongly agree	195	50.1
Agree	156	40.2
Strongly agree	38	9.8
Total	**389**	**100**

Table 8: Responses on why Company makes profits after subtraction of its expenses

Responses	Frequency	Percentage %
Strongly agree	153	39.3
Agree	115	29.7
Strongly agree	115	29.7
Total	**389**	**100**

Table 9: Cement Companies had hold much of its assets in working capital

Responses	Frequency	Percentage %
Agree	118	30.3
Strongly agree	135	34.7
Disagree	136	34.9
Total	**389**	**100**

Table 10: Financial Metrics used to Determine how well Company manages its debts

Responses	Frequency	Percentage (%)
Agree	349	89.7
Disagree	40	10.3
Total	**389**	**100.0**

V. DISCUSSION

The findings of this study revealed that, level of production can affect revenue generations in both Bua and Dangote cement. The respondents insisted that the more the level of production in any company, the more the buyers of the products. Based on the data obtained, the respondents believed that good accountability reduces the level of poor financial performance among both Bua and Dangote cement companies. The finding also, shows that application of corporate governance in the production companies and non-production companies enhances productivity which leads to good financial performance of the companies. When there is good corporate governance in a company, the management will employ workers and those workers will get salary whereby go to the market and buy things which later will boost the economy at the end. Based on the findings, it was clearly indicated that production companies mostly were registered with many insurance companies in order to minimize the rate of losses which may happened at any moment. These at the end will encourage shareholders to invest their money with the reason that when incident occur, the loss will be reduced by an insurance company. Also, majority of the respondents were of the view that realization of profit by the companies (both Dangote and Bua cements) was a result of innovations in their products not managerial styles, not financial prudent and not incentives to the workers. The data presented, revealed that some of the respondents strongly agreed that both Dangote and Bua cement companies had hold much of their working capital which as a result enable the company to produce much products which led to higher sales and as a result increase the financial performance of such companies. The increases in the financial performance boost the economy at local, state and national levels.

V. CONCLUSION

The conclusions of this study demonstrated that the degree of production in both Bua and Dangote cement can effect revenue generating. The higher the degree of production in a company, the more product purchasers there are. The respondents concluded that excellent accountability minimizes the level of bad financial performance among both Bua and Dangote cement enterprises, based on the data provided. The findings also suggest that implementing corporate governance in both production and non-production organizations boosts productivity, resulting in improved financial performance. The findings also suggest that implementing corporate governance in both production and non-production organizations boosts productivity, resulting in improved financial performance. When a company has effective corporate governance, the management will employ workers and pay them a salary, allowing them to go to the market and buy products, ultimately boosting the economy. Based on the findings, it was obvious that production companies were typically registered with multiple insurance companies in order to reduce the risk of losses that could occur at any time. At the end, they will encourage shareholders to invest their money in the hope that if an occurrence occurs, the loss will be mitigated by an insurance firm. Furthermore, the majority of respondents believed that profit realization by enterprises (both Dangote and Bua cements) was due to product developments rather than managerial styles, financial prudence, or worker incentives. several of the respondents firmly agreed that both Dangote and Bua cement firms had held much of their working capital, allowing them to make more products, resulting in better sales and, as a result, improved financial performance. Increases in financial performance benefit the economy at all levels: local, state, and national. However, both Bua and Dangote practiced strong corporate governance by using financial indicators to assess how well their companies manage their debts. Also, when a company's debts were correctly managed, the organization's financial performance would improve.

REFERENCES

[1] F. Naz, F. Ijaz, F. Naqvi, “Financial Performance of Firms: Evidence From Pakistan Cement Industry”. *Journal of Teaching and Education*, Vol. **5**, Issue **1**, pp. **81–94, 2016**.

[2] P.J. Solomon, “Environmental disclosure and financial performance of listed oil and Gas companies in Nigeria”. *Accounting and accountability Journal*, Vol. **8**, pp. **47-79, 2020**.

[3] T.G. Okafor, “Environmental cost accounting and reporting on firm financial Performance: a survey of quoted Nigerian oil companies*”. International Journal of Finance and Accounting*, Vol. 7, Issue **1**, pp. **1-6, 2018**.

[4] R. Mayilsamy, S. Pradeep, “A Study on Financial Performance of Ultra Tech Cement Ltd”. *EPRA International Journal of Multidisciplinary Research*, Vol. **7,** Issue **7**, pp. **238-241, 2021**.

[5] P. Aggarwal, “Impact of Corporate Governance on Corporate Financial Performance. Shri Ram College of Commerce, University of Delhi, India, **2013**.

[6] F. Shahzad, N. Ahmed, Z. Fareed, “Corporate Governance Impact on Firm Performance. Evidence from Cement Industry of Pakistan”. *European Researcher*, Vol. **90**, Issue **1**, pp. **37-47, 2015**.

[7] M. Ibrahim, “Corporate Governance and Financial Performance of Listed Non-financial Companies in Nigeria*”. American Journal of Business Society*, Vol. **4**, Issue **3**, pp. **2019**.

[8] S. Mohammed, N. Sha, M.N. Alam, H. Qaouq, “Financial analysis of cement industry in Oman”. *International Journal of Management and Applied Science*, Vol. **4**, Issue **10**, pp. **29-31, 2018**.

[9] V. Hajihassani, “A Comparison of Financial Performance in Cement Sector in Iran. Inventi Rapid*”. Microfinance & Banking*, Vol. **4**, Issue **1**, pp. **8-10, 2012**.

[10] A.N.K. Mizan, M.M. Hossain, “Financial soundness of cement industry of Bangladesh”. *American Journal of Trade and Policy*, Vol. **1**, Issue **1**, pp. **16-22, 2014**.

[11] S. Soni, “A study on the financial performance of JK cement”. *International Journal of Research and Review*, Vol. **1**, Issue **5,** pp. **115-119, 2018**.

[12] R. Venkatacham, V. Kasthuri, “A study on the financial performance of the cement industry in India”. *International Journal of Applied Research*, Vol. **2**, Issue **9**, pp. **778-780, 2016**.

[13] W.M. Daryanto, “Measuring financial performance of cement industry during infrastructure development in Indonesia*”. South East Asia Journal of Contemporary Business, Economics and Law*, Vol. **16**, Issue **1**, pp. **44-56, 2018**.

[14] K.T. Gopi, “The study on financial performance of cement industry in India”. *Asian Journal of Managerial Science*, Vol. **7**, Issue **2**, pp. **16-20, 2018**.

[15] F.R. Khan, I.S. Al-Maktoumi, “Performance Evaluation of Commercial Banks in Oman Using Ratio Analyses”. *International Journal of Research in Entrepreneurship & Business Studies*, Vol. **2**, Issue **1**, pp. **10-21, 2021**.

[16] H. Alami, A. El-Hajaji, K. Hilal, K. Mokhlis, “Social and Financial Performance in Moroccan Companies. In Recent Advances in Intuitionistic Fuzzy Logic Systems and Mathematics*”, Springer. Chams*, pp. **273-285, 2021**.

[17] R. Kanakriyah, “Dividend Policy and Companies’ Financial Performance”. *The Journal of Asian Finance, Economics and Business*, Vol. **7**, Issue **10**, pp. **531-541, 2020**.

[18] M.M. Majeed, B. Ilyas, M. Nasir, “Analysis of financial progress of cement industry in Pakistan”. *Research Journal of Finance and Accounting*, Vol. **8**, Issue **19**, pp. **7-12, 2017**.