AN ANALYSIS OF FIRM SPECIFIC ATTRIBUTES AND FINANCIAL PERFORMANCE OF QUOTED CONSUMER GOOD FIRMS IN NIGERIA

BY

Mobolaji Kafayat, ABIDOYE

(B.Sc., Accounting)

Matric No: 16/27/MAC002

BEING A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, SCHOOL OF BUSINESS AND GOVERNANCE, COLLEGE OF HUMANITIES, MANAGEMENT AND SOCIAL SCIENCES, KWARA STATE UNIVERSITY, MALETE, IN PARTIAL FULFILMENT OF THE REQUIREMENTSFOR THE AWARD OF MASTERS OF SCIENCE (M.Sc.) DEGREE IN ACCOUNTING.

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DECLARATION

I hereby declare that this thesis entitled "An Analysis of Firm Specific Attributes and Financial Performance of Quoted Consumer Good Firms in Nigeria" is my own work and has not been previously presented or submitted by me and to the best of my knowledge, by any other person for any course or qualification at this or any other academic or research institution. I also declare that the information provided herein are mine and those that are not are duly acknowledged by means of references.

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CERTIFICATION

This is to certify that this thesis was carried out by Mobolaji Kafayat Abidoye with matriculation number 16/27/MAC002 in satisfaction of the requirements for the award of Master of Science (M.Sc.) Degree in the department of Accounting and Finance, School of Business and Governance, College of Humanities, Management and Social Sciences, Kwara State University, Malete, Kwara State, Nigeria.

Dr. (Mrs). Osemene .O.F. ----------
Dr. Mubaraq Sanni
Project Supervisor Sign & Date

Dr. Mubaraq Sanni ----------

Co- Supervisor Sign & Date

Dr. Mubaraq Sanni ----------

Head of Department Sign & Date

---------- ----------
Dean, School of Post Graduate Studies Sign &Date

External Examiner Sign & Date

DEDICATION

This thesis is dedicated to my late brother, Abidoye Yusuf Olusegun. May Almighty Allah grant you Janatul Firdaus.

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ABSTRACT

Firm specific attributes are the factors that are mostly under the control of the management which influences the financial performance of an organization, but available literatures on the attributes that cover the aspect of management core competencies are few. Owing to these, the study analysed the impact of these firm specific attributes on the financial performance of quoted consumer goods firms in Nigeria. Financial performance measured by Return on Assets (ROA) is the dependent variable while management efficiency (MGEFF), liquidity (LQD) leverage(LVG) and asset tangibility (ATANG) are the independent variables .Ex-post facto research design was employed with the population of twenty-one quoted consumer good firms and the sample size comprised 17 of these quoted consumer good firms due to availability of data for a period of six years (2012-2017). Secondary data were sourced from the firms' annual reports. The data were analyzed using descriptive and inferential statistics (correlation analysis, panel data regression and Generalized Linear Model Regression) using E-Views statistical package to test the hypotheses. Using the GLM result the findings showed that a positive significant relationship exists between ROA and MGEFF at 5% level of significance (p-value<0.05), also ATANG had a positive significant relationship with ROA at 10% level of significance (p-value< 0.10), while ROA had a positive but insignificant relationship with LVG (p-value>0.05).The findings also revealed that ROA had a negative insignificant relationship with LQD (p-value>0.05). Hence, the Study concluded that MGEFF, ATANG and LVG had positive relationship with financial performance (ROA) while LQD had a negative relationship with financial performance (ROA) and therefore recommends that consumer goods firms should conduct careful assessment and take into consideration firm specific attributes (MGEFF and ATANG) that influence the financial performance of the firms before taking major business decision as this will go a long way in improving their financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The financial statement of business organisations constitutes wide varieties of information that serve as predictors of the firms' quality of accounting information and financial performance. This information could be determined by factors known as attributes of firms. Therefore, firm attributes are the factors that are mostly under the control of the management which influences the financial performance of an organization. The firm attributes includes firm size, management efficiency, asset tangibility, leverage, liquidity, capital, firm age, dividend, market share, capital adequacy, premium growth, loss ratio, off balance sheet activities, operating expenses, among others, can affect the financial performance of a firm either positively or negatively.(Irom, Okpanachi, Ahmed & Tope, 2018).

The performance of any firm plays an essential role in growing the market value of that specific firm and also leads to the growth of the whole sector and the general success of the economy (Ahmed, Naveed & Usman, 2011). Hence, a sound financial management should be consistent with the efforts to improve and increase profitability so as to meet the goal of individual firm owners. The need of any firm is to make more profit and boost the wealth of its stakeholders (Gitman, 2007). However due to challenges in internal and external

environment, most firms are unable to meet their goals. In other words, performance is a function of the ability of a firm to gain and manage its resources in several different ways so as to develop competitive advantages (Iswatia & Anshoria, 2007).

The factors that influence any business entity could be broadly categorized into internal and external phenomena in which firm financial performance is not an exception. The internal attributes are those under the management control which account for the inter-firm variances in performance. The external attributes are factors which affect firms' decisions and which management has no control over. The internal factors which focus on quoted consumer goods firms attributes can be grouped into financial and non-financial variables. The financial attributes are variables which can be derived from the financial statement of consumer goods firms which have been mentioned above. On the other hand, non-financial attributes are those variables which cannot be obtained from the financial statement of firms. They comprise of age of the firm, management competencies, and scope of operation.

Therefore, this study considered management efficiency, liquidity, leverage and asset tangibility as proxies of firm specific attributes. This is because, despite that some of these variables have highly featured in some literature, previous studies (Irom, Okpanachi, Ahmed & Tope, 2018; Mohammed, 2017) on consumer goods firms have failed to

consider variables such as management efficiency and asset tangibility which makes this study unique, also the result of the previous studies are marred by inconsistent findings. It follows therefore that there is the need to study this research portents in the context of the quoted consumer goods firms given their strategic importance to the economy.

The consumer goods sector is a sub-sector of the manufacturing industry which deals in the production and sales of items purchased by individuals rather than by manufacturers and industries. This sector includes firms involved with food production, packaged goods, clothing, beverages, automobiles and electronics. The importance of consumer goods firms to the economy and individuals is that they help to boost the manufacturing sector and exports, and also provide satisfaction to customers, thereby improving the Gross Domestic Product (GDP) of the economy. Much like the other manufacturing firms, it has seen turbulent and harsh business environment, which is made worst by the recent fall in the value of the Naira relative to the U.S. Dollar. The decline in the Naira value means significant increase in import expenditure for the purchase of raw material, the bulk of which comes from the developed countries. This has serious effects on the production and demand for the products because of the increase in cost of production, which is reflected in the sharp increase in the price of consumable goods experienced recently. The implication of this is that it may affect the performance of the firm because prices of goods are set based on the current and expected business outlook. The good news, however, is that the

present administration has demonstrated serious concern over the low performance of the sector and the most evident effort employed to reverse this include making the dollar available to the manufacturers at all times. Expectedly, this will increase investor's confidence in the sector and consequently reflect in the overall financial performance of firms.

This study therefore embarks on empirical investigation to find out those firm specific attributes that affect the financial performance of quoted consumer good firms in Nigeria.

1.2. Statements of the Problem

The manufacturing industry plays a crucial role in fostering commercial and economic development in Nigeria as it contributes largely to the Gross Domestic Product (GDP). Measuring the financial performance of manufacturing firms has gained significant attention in the developed and some developing countries due to its contribution to economic output of any nation, Nigeria inclusive. Today, manufacturers work constantly to increase assets utilization and reduce loss in the ongoing effort to achieve high performance. This is as a result of pressure from shareholders which is greater now than ever and thus, the funds available for investment that would lead to improvements are often limited. Hence, to remain competitive companies must get more from their assets while keeping costs down (Irom, Okpanachi & Ahmed, 2018).

Previous Nigerian studies such as (Ubesie & Okwy-Nwangwu, 2013; Dogarawa & Maude, 2014; Ibrahim, 2014 and Abuh & Samalia, 2014) have examined the influence of firm specific attributes on financial performance in various sectors, but most of these studies did not include management efficiency and asset tangibility as a proxy of firm specific attributes in relation to quoted consumer goods firms despite the strong relationship that has been established in the literature between management efficiency, asset tangibility and financial performance of firms by other influential studies (Mohammed, 2017; Yuvaraj & Abate, 2013; Daniel & Tilahun,2012). Investigating management efficiency in relation to financial performance is appropriate because it portrays the link between how well the management utilized the firm's limited resources in generating desired output which in turn enhance performance. This study argues that previous studies that ignored this factor are deficient, because management efficiency and asset tangibility are direct reflection of the management's prowess and it is entirely subject to their control. It is therefore expected that the more efficient the management is, the more it enhances the performance of firms.

Also, the outcome of the studies conducted in developed and some developing countries may not be applicable to consumer goods firms in Nigeria simply because the environment in which the firms operate differs in terms of policies, regulation and operation. In addition, variables that were used in other studies, especially from developed market may not be consistent with rudimentary Nigerian manufacturing industry. Also most of these

studies considered the internal factors using both financial and non-financial variables, but this study differs by using only financial variables focusing on the area of management core competence which in practice will give an insight to how management of quoted consumer goods firms make critical decisions using available resources and having means to generate funds.

Hence, given the limited number of studies, the mixed findings and widespread acknowledgement of the importance of firm specific attributes, little evidence exists on the relationship between the firm specific attributes. Therefore, there is need for additional empirical evidence to address whether these firm specific attributes enhance financial performance by analysing its impact on quoted consumer goods firms in Nigeria.

1.3 Research Questions

The study therefore addresses the following questions:

i. To what extent does management efficiency affect the financial performance measured by ROA of quoted consumer goods firms in Nigeria?

ii. How does liquidity affect the financial performance measured by ROA of quoted consumer goods firms in Nigeria?

iii. What effect does leverage have on the financial performance measured by ROA of quoted consumer goods firms in Nigeria?

iv. How does asset tangibility affect the financial performance measured by ROA of quoted consumer goods firms in Nigeria?

1.4 Objectives of the Study

The main objective of this study is to examine the impact of firm specific attributes on the financial performance of quoted consumer goods firms in Nigeria. However, the specific objectives are to:

i. examine the effect of management efficiency on the financial performance measured by Return on Assets (ROA) of quoted consumer goods firms in Nigeria.

ii. determine the influence of liquidity on the financial performance measured by ROA of quoted consumer goods firms in Nigeria.

iii. analyse the effect of leverage on the financial performance measured by ROA of quoted consumer goods firms in Nigeria.

iv. ascertain the effect of asset tangibility on the financial performance measured by ROA of quoted consumer goods firms in Nigeria.

1.5 Hypotheses of the Study

Ho_1: Management efficiency has no significant effect on the financial performance measured by ROA of quoted consumer goods firms in Nigeria

Ho_2: Liquidity does not have a significant effect on the financial performance measured by ROA of quoted consumer goods firms in Nigeria

Ho_3: Leverage has no significant effect on the financial performance measured by ROA of quoted consumer goods firms in Nigeria

Ho_4: Asset tangibility does not have a significant effect on the financial performance measured by ROA of quoted consumer goods firms in Nigeria

1.6 Significance of the Study

The outcome of this study is expected to immensely contribute to the existing body of knowledge. This is because empirical evidence on quoted consumer goods firms in Nigeria are few. The study would provide information to investors of firms quoted on the Nigeria Stock Exchange on the firm specific attributes that influences financial performance so as to protect their investment and direct it to the best and viable investment that will yield benefit in future. Similarly, the study would be of help to management in order to identify the indicators of good performance so as to take necessary actions to improve performance of consumer goods firms and make good decision that will move organization forward.

The findings of the study will also aid policy makers (government, manufacturers) to come up with policies to improve the sector. The findings will contribute to the accounting literature by providing evidence that supports the positive role of firms' specific attributes in determining the financial performance of quoted consumer good firms in Nigeria.

Additionally, the results could provide accounting practitioners as well as regulators with valuable insight into the complex interactions between different types of firms' attributes and the financial performance of firms.

1.7 Scope of the Study

The study analysed the impact of firm Specific Attributes (management efficiency, liquidity, leverage and asset tangibility) and Financial Performance (Return on Asset) of Quoted Consumer good Firms in Nigeria. In order to evaluate this impact, data was collected for the period of six years that is from (2012 - 2017). The study period emerges from the fact that the consumer goods sector had the highest performance level on the Nigerian Stock exchange annual review among other sectors with a 42.29% contribution to the GDP (NSE, 2013).

All quoted consumer goods firm were considered as the population of the study. A total of 17 consumer goods firms were however selected as sample size of the study. The firms selected were those with accessible financial statement for the purpose of ensuring the regression analysis is a balanced panel data. The study focused on internal factors because they can be easily measured by using data generated from financial statement of quoted consumer good firms in Nigeria and they are controllable factors that are within the control of management of quoted consumer goods firms in Nigeria.

CHAPTER TWO

LITERATURE REVIEW

This chapter consists of the conceptual, theoretical and empirical evidences on the research undertaken on the impact of firm specific characteristics on the financial performance of quoted manufacturing firms which was extensively reviewed.

2.1 Conceptual Review

2.1.1 Firm Specific Attributes

Firm specific attributes can be defined as the wide varieties of information disclosed in the financial statement of business entities that serve as the predictors of the firms' quality of accounting information and performance (Lang & Lundholm, 1993). They can also be defined as the behavioral patterns of company's operation which enables them to achieve their objectives throughout the period of their operations. Company's characteristics vary from one business entity to another. They can be determined based on the relevant information disclosed on financial statements for a particular accounting period (Stainer, 2006). This means that the financial performance of manufacturing firms could be ascertained using firm specific attributes (internal attributes).

Malik (2011) clearly classified the internal attributes into two major sub-categories, namely, the financial variables and non-financial variables. From his explanation, he regarded financial variables as determining factors which are directly driven from items in the statement of financial position and comprehensive income statement. This includes firm size, leverage, liquidity, sales growth, operating expenses, management efficiency and tangibility of asset. On the other hand, the non-financial variables are those factors which cannot be driven from the items in the statement of financial position and statement of comprehensive income. The non-financial variables are classified as management quality or competency, efficiency and productivity, age, and scope of operation (Yuqili, 2007).

Empirical studies have been carried out to examine the relationship between firm attributes and performance of business entities around the globe. Mohammed (2005) posited that firm attributes seem to play an important role in determining the overall performance of corporate entities. Wiklund and Shepherd (2005) are of the view that firms that are able to align firm attributes with the environmental characteristics perform better than the other firms. Dean, Bulent and Christopher (2000) posited that firm characteristics are essential determinants of a firm's performance as well as its success in business. Firm specific attributes used in this study however include management efficiency, liquidity and leverage and asset tangibility.

2.1.2. Management Efficiency

One of the most important goals of a corporation's leadership is to maximize their present and future financial and operational performance because they impact on the market price per share and consequently, shareholders' wealth. Common business practice implies that managerial efficiency plays an important role in improving current and future firm performance (Heaney & McCoster, 2005). Management efficiency is defined as the extent to which changes in the cash conversion cycle, operating expenses to sales revenue ratio, operating cash flow, and total asset turnover ratio, total debt to total assets ratio, firm size, and operating risk impact on the future performance of the firm. The term efficiency is viewed in both the industrial organization and strategic management literature as the product of firm-specific factors such as management skills, innovation, cost control, and market share as determinants of current firm performance and its stability (Abuzayed & Molyneux, 2009; McWilliams & Smart, 1993). Management efficiency, shows how well a firm streamlines its operations and manages its input-output relationship. This study however defines efficiency as how best an organization's management can channel its limited resources to achieve the best output which will in turn boost its performance.

2.1.3. Liquidity

The International Financial Reporting Standards (2006) defined liquidity as the available cash for the near future, after taking into account the financial obligations corresponding to

that period. Liargovas and Skandalis (2008) argued that firms can use liquid assets to finance its activities and investments when external finance are not available. On the other hand, higher liquidity can allow a firm to deal with unexpected contingencies and to cope with its obligations during periods of low earnings.

One of the most common measure of liquidity is the current ratio. Current ratio is a measure of relative liquidity that takes into account differences in absolute size. It is used to compare companies with different total current assets and liabilities. Liquidity is the amount of money that a company uses for its daily operations or short term assets that can easily be converted into cash in order to meet its daily financial needs. Liquidity is measured as a ratio of current asset to current liabilities, which is considered as an important determinant of firms' performance since liquidity influences firms' opportunity to take up viable investment which can lead to performance. Liquidity gives companies the ability to negotiate with lenders, to delay payment and take advantage of this in investment as well as enhance the ability of companies to obtain loan at preferential interest rate (Kallberg & Parkinson, 1993).

Suppliers, creditors and other short-term lenders of funds require a very sound liquidity position of a firm in order to have confidence in the firm's ability to satisfy their requirements (Kurfi, 2003). This is because a firm with weak liquidity position would scare suppliers and creditors, particularly banks who often impose minimum liquidity

constraints in their loan agreements with firms. Liquidity also represents the amount of cash or current assets that can be easily converted in cash for the day-to-day operations of a company. It represents the amount that is invested in assets that are expected to be realized within a single accounting period.

The relationship between current assets and current liabilities should be in such a way that the current assets is twice the size of the current liabilities of firms, hence it is said that the ideal current ratio (current assets/current liabilities) is generally accepted to be 2:1, but this proportion can obviously be varied in practice, depending on the circumstances of an individual company (Akinsulire, 2014).

Liquidity ratios show solvent a company is, because it will not become insolvent overnight, deterioration in these ratios is thus an indication of insolvency. If a company is unable to renew its short-term liabilities, there would be a danger of insolvency unless the company is able to realize sufficient amount of its current assets into cash. A current ratio of 2:1 is regarded to be indicative that a company is reasonably well-protected against the danger of insolvency through sufficient liquidity. Liquidity is the ability of a company to meet its demand for funds (Biety, 2003).

Liquidity management means ensuring that a company maintains sufficient cash and liquid assets to satisfy the interest of suppliers and creditors. It involves a daily analysis and

detailed estimation of the size and timing of cash flows and outflows within a particular accounting period.

A business organization should have a formal liquidity policy that is developed and written by the officials with the assistance of management. The policy should be reviewed and revised as needed, not less than a year and the policy should also be flexible, so that managers may react quickly to any unforeseen events (Omolehinwa, 2006).

Liquidity of the firm is an important factor that influences the performance of the firm (Chen & Wong, 2004). It shows the ability to convert an asset to cash quickly and also reflect the ability of the firm to manage its working capital when kept at normal level. A firm can use liquid assets to finance its activities and investments when external finance is not available or is too costly (Almajali & Yahya, 2012). On the other hand, Liargovas and Skandalis (2008) articulated that higher liquidity would allow a firm to deal with unexpected contingencies and to cope with its obligation during the period of low earnings.

However, in accordance with the theory of agency costs, higher liquidity of assets could increase agency costs for owners because managers might take advantage of the benefits of liquid assets (Adams & Buckle, 2000). Liquidity was defined by this study as the ability of a firm to always account for its debt as and when due, which serves as an indication of how financially vibrant an organization which will in turn encourage patronage and investments and therefore enhance performance.

2.1.4. Leverage

Leverage according Rajan and Zingales (1995), is the ratio of total liabilities to total assets. It refers to the proportion of debt to equity in the capital structure of a firm (Salehi, 2009). The financing or leverage decision is a significant managerial decision because it may influence the shareholder's value, risk and the market value of the firm. The ratio of debt-equity has implications for the shareholder's dividends and risk. This affects the cost of capital and the market value of the firm (Pandey, 2007).

Several researchers have studied firms' debt use and suggested the determinants of financial leverage by reporting that firm's debt-equity decision is generally based on a trade-off between interest tax shields and the costs of financial stress (Upneja & Dalbor, 2001). According to the trade-off theory of capital structure, optimal debt level balances the benefits of debt against the costs of debt (Gu, 1993). Hence, the use of debt to a certain debt ratio results in higher value on equity. However, the benefit of debt would be lower than the cost after this level of capital structure. In other words, the more a company uses debt, the less income tax the company pays, but the greater its financial risk. Based on the trade-off theory for capital structure, firms can take advantage of debt to make a better value on equity.

Leverage finance refers to the funding of a company or business entity with debt with the hope of improving the firm's financial performance. Leverage financing is commonly

employed by a company to achieve a specific or temporary objective, such as acquisition of another business, to effect a buy-out, to purchase shares or fund a one-time dividend, or to invest in self-sustaining cash-generating assets (Pachori & Tatala, 2012). Leverage financing on the other hand refers to the ratio of debt to equity capital of a company. As a result of the payment of interest and repayment of principal amount of the debt a large part of the firm's cash flow would decrease (Magpayo, 2011). Financial leverage also involves the use of debt to acquire additional assets. It can be financial or operating leverage.

Financial leverage is the use of borrowed money to increase production volume and sales as well as earnings of a company for better performance. It is measured as the ratio of total debt to equity of a firm (Yoon & Jang, 2005). The greater the amount of debt, the greater the financial leverage of a firm. Since interest is a fixed cost which can be written off against revenue, a loan allows an organization to generate more earnings without a corresponding increase in equity capital which will require increase in dividend payment that cannot be written off against the firm's earnings (Magpayo, 2011). However, high leverage may be beneficial in boom periods; and it may cause serious cash flow problems in recession periods, because there might not be enough sales revenue to cover the interest payment (Tudose, 2012). In other words, leverage is the advantageous condition of having a relatively small amount of cost yield and a relatively high level of values (Ojo, 2012).

Operating leverage is the extent to which a firm commits itself to high level of fixed operating costs which vary with time, such as insurance, rent, salary, with no interest attached to it as compared to the level of variable costs which vary with volume of energy, labour and raw materials (Tudose, 2012). Firms with high level of operating leverage have high break-even points, but when the break-even point is crossed, they show a greater increase in operating income with every increase in sales revenue and greater losses with every drop in sales revenue in comparison with firms that have lower operating leverage (Omolehinwa, 2006).

Investment leverage is the ability of a firm to control a large value of commodities or securities in a future contract by buying on margin and thus, leveraging a relatively small investment. Thus, leverage is a concept of borrowing money to buy an asset that will appreciate in value, so that the ultimate sale will value profits on equity invested and on the borrowed funds. (Omolehinwa, 2006). Leverage on the other hand is described by this study as the process whereby firms incur debt to finance investments to generate earnings which will enhance performance. However the implication of incurring much debt could be detrimental to the firms' going concern if adequate measures are not put in place on the long run. Hence, firms should be able to balance their capital structure to ensure they are not highly geared

2.1.5. Asset Tangibility

The importance of asset tangibility has been evidenced by the various literatures due to its effect on the firm's financial performance. If a firm has more tangible assets in their composition of total assets, it will have higher ability to raise debt since the assets can be used as collateral.

The asset structure of a firm plays a significant role in determining its performance. The degree to which the firm's assets are tangible should result in the firm having greater liquidation value (Daniel & Tilahun, 2012). Firms that invest heavily in tangible assets also have higher financial leverage since they borrow at lower interest rates if their debt is secured with such assets. By pledging the firm's assets as collateral, the costs associated with adverse selection and moral hazards are reduced (Yuvaraj & Abate, 2013). This will result in firms with assets that have greater liquidation value having relatively easier access to finance at lower cost, consequently leading to higher debt or outside financing in their capital structure.

Asset tangibility in accordance with this study expresses how a firm can survive based on its fixed asset in the event of possible liquidation. It involves the use of non-current assets as collaterals when borrowing. Firms should however be careful of tying down its liquidity on noncurrent assets as this could affect its working capital and thus the day-day running of the business which will in turn affect the financial performance of the firms.

2.1.6. Financial Performance

It has been known from the literatures that the performance of corporate organizations has been one of the major concerns of management experts, investors and as well as researchers. In view of this, financial performance is the most important and reliable indicator as it gives a broad indicator of the ability of companies to raise their income level (Ahmed *et al*, 2011). This therefore makes the financial performance to be one of the most important objectives of financial management because one of the goals of financial management is to maximize the owner's wealth and profitability which in turn indicates better financial performance (Malik, 2011).

The study of firm performance has been an inexhaustible subject that has drawn the attention of several researchers. The performance of a Firm can be measured using different indices and by applying different methods; however, profitability ratios are the key measures of firms' overall efficiency and performance widely used by stakeholders. Several theories have emerged trying to explain the reasons why some firms enjoy a higher profit than others and a number of studies investigated the effect of different variables that may drive the performance of a firm.

The extent of the success of an organization's profitability is reflected in the income statement of the firm and this is usually reported over a period of time usually one year

called the financial year. Return on Assets (ROA) and Return on Equity (ROE) are the major measures used in determining the profitability of an organization. (Omolehinwa, 2006; Akinsulire, 2011).

However ROA was adopted as the measure of performance for this study because it entails the classical financial indicators or accounting ratios used by firms to measure profitability. This concept has been perceived and applied differently. ROA is an indicator of how profitable a company is, relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings which is the main focus of the study.

2.1.6.1. Return on Assets

This is the measure of an organisation's ability to use their existing assets to earn profit. Assets declared in the statement of financial position include cash and its equivalent, physical or tangible items such as buildings, equipment and inventory that is owned by an organization (Daniel & Tilahun, 2012). ROA can be expressed as:

$$\text{ROA} = \frac{\text{Profit before Tax}}{\text{Net income}}$$

This ratio shows the company's profitability in relation to its assets. Assets such as loans are expected to render profits and this is captured also in this ratio. The higher the ROA ratio, the better it is for the company.

Today, manufacturers work constantly to increase assets utilization and reduce loss in the ongoing effort to achieve high performance. This is as a result of pressure from shareholders which is greater now than ever and thus, the funds available for investment that would lead to improvements are often limited. To remain competitive, companies must get more from their assets while keeping costs down. Return on assets (ROA) is one example of the classical financial indicators or accounting ratios used by firms to measure profitability. ROA is an indicator of how profitable a company is, relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings. Ahmed *et al* (2011) and Abate (2012) suggested that although there are different ways to measure financial performance, it is better to use ROA instead of alternatives Return on Equity (ROE). This is because an analysis of ROE disregards financial leverage and risks associated with it as a measure of profitability in manufacturing firms.

Return on Assets was seen as the best performance measure of this study despite being recommended as the best measure of performance by most researchers (Daniel & Tilahun, 2012; Malik, 2011, Kazeem,2015; Irom et. al, 2018) it also encompasses the aim of this study which is to look at how management efficiently generate its earnings through limited resources which assets form a larger part of.

2.2 Theoretical Review

2.2.1. Resource Based Theory

The resource based theory was hypothesized by Wernerfelt (1984). He took on a resource perspective to analyze antecedents of products and ultimately organizational performance and believed that resources and products are two sides of the same coin and firms diversify based on available resources and continue to accumulate through acquisition behaviors.

The currently dominant view of business strategy resource-based theory or resource-based view (RBV) of firms is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making. Ownership of firm-specific assets enables a company to develop a competitive advantage. This leads to idiosyncratic endowments of proprietary resources (Barney, 1991). According to RBT, sustainable competitive advantage results from resources that are inimitable, not substitutable, tacit in nature, and synergistic (Barney, 1991). Therefore, managers need to be able to identify the key resources and drivers of performance and value in their organizations. The RBT also states that a company's competitive advantage is derived from the company's ability to assemble and exploit an appropriate combination of resources. Such resources can be tangible or intangible, and represent the inputs into a firm's production process; such as capital, equipment, the skills of individual employees,

patents, financing, and talented managers. As a company's effectiveness and capabilities increase, the set of available resources tends to become larger. Through continued use, these

"capabilities", defined as the capacity for a set of resources to interactively perform a stretch task or an activity, become stronger and more difficult for competitors to understand and imitate R&D expenditures, and can be used to augment future production possibilities.

Resource-based theory has been developed to understand how organizations achieve sustainable competitive advantages. The theory focuses on the idea of costly-to-copy attributes of the firm as sources of business returns and the means to achieve superior performance and competitive advantage (Barney, 1986; Conner, 1991; Hamel and Prahalad, 1996). A firm can be understood as a collection of physical capital resources, human capital resources and organizational resources (Barney, 1991). Resources that cannot be easily purchased, that require an extended learning process or a change in the corporate culture, are more likely to be unique to the enterprise and, therefore, more difficult to imitate by competitors. It is argued that performance differentials between firms depend on having a set of unique inputs and capabilities (Conner, 1991).

The two critical assumptions of RBT are that resources must be heterogenous and immobile. Resources must be heterogenous in the sense that skills, capabilities and other

resources that organisations possess must differ from one company to another and if organisations have the same amount and mix of resources, they would not employ different strategies to outcompete each other. The second assumption of RBT which is immobility is that resources that are not mobile do not move from company to company at least in the short run. Due to this immobility companies cannot replicate rivals resources and implement the same strategies.

Barney (1991) explained the essence of a resource-based theory is that given resource heterogeneity, resource immobility and satisfaction of the requirement of value, rareness, imperfect imitability and non-substitutability, firms' resources can be a source of sustained competitive advantage. Resource based theory treats enterprises as potential creators of value added capabilities. Understanding the development of such capabilities and competences involves viewing the assets and resources of the firm from a knowledge-based perspective. (Prahalad and Hamel, 1990). They concentrated their attentions on the collective learning processes of the organization on the development of skills and technology integration. Their concept of "core competences" is related to mechanisms by which firms learn and accumulate new skills in order to develop business capabilities to outperform competitors.

One of the objectives of the theory is to help managers to appreciate why competences can be perceived as a firm's most valuable asset and, at the same time, to understand how those

assets can be used to improve business performance. A resource-based view of the firm accepts that attributes related to past experiences, organizational culture and competences are critical for the success of the firm (Hamel & Prahalad, 1996).

Conner (1991) suggests that an in-house team is likely to produce technical knowledge, skill or routine that fits better with the firm's current activities. As much as the resource based theory provides insights on both strategic and organizational issues, an often recurring critique of this theory is that its core logic contains circular reasoning in the specification of the relationships between rents and resources (Truijens, 2003).

The RBT also emphasises on the role of human capital in the creation of competitive advantage which at the same time caused isssues for accountants in terms of business and intangible asste valuation (Toms,2010). Accountants equally are concerned with controls which prevent misappropriation of resources that ultimately are shareholder's property. Thus a theory of value also needs accountability (Toms, 2010). This theory is linked to all variables adopted by this study in that it shows how bringing together all resources gives a firm a competitive advantage over others.

2.2.2. Agency Theory

Agency theory was established by Jensen and Meckling (1976). Strategic management and business applicability has been largely influenced by the agency theory (Donaldson & Davis, 1991). The agency theory states that in modern corporations in which share

ownership is widely held, managerial actions depart from those required to maximize shareholders' returns (Noriza & Norzalina, 2007). Jensen and Meckling (1976) assert that the owners (principals) and managers (agents) exercise an agency loss which is the extent to which returns to the residual claimants (owners) fall below what they would be if the principals exert direct control over the corporation. This is because managers of firms typically act as agents of the owners. The owners hire the managers and give them the authority to manage the firm for the owners' benefit. However, managers are mainly interested in accomplishing their own targets which may differ from the maximization of the firm value which is the maximization of the owners' benefit. Therefore, they will act in their own interests seeking higher salaries, perquisites, job security, and in some cases even direct exploitation of the firm's cash flows. Thus, the interests of the manager not only differ but in many cases, even oppose those of the owners, inevitably implying a conflict of interests between the shareholders and the managers.

In addition, Eriotis, Vasiliou and Ventoura-Nekosmidi (2007) contend that managers have attained the authority to manage the firm but the owners may only try to discourage these value transfers through monitoring and control, such as supervision by independent directors. Nonetheless, monitoring and control actions presuppose agency costs. Perfect control is however extremely costly and therefore shareholders should strive for solutions that would not extract large amounts of value from the firm and would also monitor and

control managers' operations. In regard to this study and the agency theory, agency costs can create value loss to shareholders arising from divergences of interests between the shareholders and corporate managers.

Additionally, there is the impossibility of perfectly contracting an agent whose decisions affect his own welfare and the welfare of the principal since persuading the agent to act in the best interest of the principal poses a problem. This theory is linked with how managers efficiently manage their limited resources to bring out the best outcome.

2.2.3 Trade-Off Theory

This theory postulates that a company chooses how much debt finance and how much equity finance to use by balancing the costs and benefits. Kraus and Litzenberger (1973) who were the antecedent to put this theory, considered a balance between the dead-weight costs of bankruptcy including the agency cost and the tax saving benefits of debt. Interest expenses on debt are tax deductible and as such it may be used to reduce the taxable income which will consequently reduce tax liability. However, the use of debt financing also increases financial risk to a company which may consequently lead it to financial distress. Niu (2008) observes that managers of companies regard debt-equity decisions as tradeoff between interest tax shield of debt and associated leverage costs such as bankruptcy, agency costs and loss of non-debt tax shield. This theory contends that the firm sets a target leverage ratio which it gradually moves towards it. Trade-off theory

assumes that firms choose how to allocate their resources comparing the tax benefits of debts with the bankruptcy costs thereof, thus targeting an optimal debt ratio. Tradeoff theory predicts that highly profitable firms that have more debt servicing capacity and more taxable income to shield will have higher debt ratios and firms that have high growth opportunities should have low debt ratios because they borrow less to avoid losing value in financial distress and will mostly rely on equity financing.

The strength of this theory is to assist the firm to determine their debt capacity and find out the optimum combination of debt-equity ratio and how they offset each other. The weakness of this theory however is that excessive debt may lead to over-debt issues and under investment problems. This theory is linked to the how firms source for funds through debt and how they use these funds in worthwhile projects which can in turn serve as collaterals to redeem their debts.

Hence this theory is applicable to leverage and asset tangibility.

2.3 Empirical Review

2.3.1 Evidence from Developed Countries on Firm`Specific Attributes and Financial Performance

The study of Eriotis et al. (2007), assessed how firm characteristics affect capital structure for a sample of 129 companies listed on the Athens Stock Exchange during 1997–2001.

The findings disclosed that there is a negative relation between the debt ratio of the firms and their growth, their quick ratio, and their interest coverage ratio.

Dogan (2013) studied the effect of firm size on profitability of 200 companies listed at the Istanbul stock exchange using data from the year 2008 to 2011 by using multiple regressions model. He introduced other control variables in his study such as liquidity which was measured by total current assets over total current liabilities, leverage measured as total debt over total assets as well as firm age measured by number of years in operations. He found that firm size and liquidity are positively related to profitability as measured by ROA, while leverage and firm age were negatively related to profitability measured by ROA.

Sumaira and Amjad (2013) studied the determinants of profitability in insurance sector of Pakistan with a panel data set of 31 insurance firms (life insurance and non-life insurance sector) of Pakistan from 2006-2011. To examine the determinants of profitability, panel data techniques (fixed effects and random effects models) were employed and then Hausman specification test was applied to select the more effective model. The test proved that fixed effects model was the more appropriate model for the study. The outcome of the

study showed that leverage, firm size, and age of the firm are significant determinants of profitability, while sales growth and liquidity were not significant.

Yazdanfar (2013) examined profitability determinants among micro firms using Swedish data of a sample of 12,530 micro firms from four different industries namely healthcare, transport, metal and retail trade industries having approximately 87,000 observations from data collected from the year 2006 to 2007. He found that there was a positive and significant relationship between firm growth, firm size, productivity and firm profitability measured by ROA. The study also revealed a significant and negative relationship between firm age and firm profitability explaining that younger firms were more profitable than older firms. The researcher employed the OLS multiple regression analysis and correlation in the analysis of the collected data. He went ahead and analyzed all the four industries separately by running another multiple regression to see whether the results will vary, but all the findings were similar as the combined regression.

Kilic and Bayyurt (2013) investigated the factors that impact voluntary information disclosure level of 138 listed Turkish manufacturing companies. The result indicates an evidence of a positive relationship between firm size, auditing firm size, proportion of independent directors on the board, institutional/corporate ownership, corporate governance and voluntary information disclosure level while leverage and ownership diffusion have significant negative relationship with the extent of voluntary disclosure. In

addition, the result revealed that profitability, listing age, and board size were found to be insignificant.

Safdar, Hazoor, Toheed and Ammara (2013) examined the impact of firm characteristics on stock returns of 307 non-financial listed companies in Karachi stock exchange in Pakistan for the period of 2000-2012. The study found a positive relationship between market capitalization, earning per share and book to market and sales growth with stock returns. In the same vein, However, Ajanthan (2013) investigated the relationship among some specific characters of corporate governance (Board composition, Board Size, and CEO duality), capital structure, and profitability in Eighteen listed companies during the 2007–2012. The results indicated a positive relationship between board size, board composition, CEO duality and profitability. Nandi and Ghosh (2012) investigated the association between firm characteristics, corporate governance attributes, and the level of corporate disclosure of listed firms in India using multiple regressions. They found a positive relationship between board size, ratio of audit committee members to total board members, family control, CEO duality, firm size, profitability, liquidity, and the extent of corporate disclosure. On the other hand, the degree of corporate disclosure was negatively related to board composition, leverage, and age of the firm.

In Kuwait, Alfraih and Almutawa (2014) assessed the relationship between firm-specific characteristics and corporate financial disclosure among 181 listed firms in Kuwait Stock

Exchange. The authors found that that older, highly leveraged, larger, and profitable KSE-listed firms are associated with high levels of corporate disclosures while high quality and rigorous external audits in promoting corporate disclosure.

Maria Rasheedawan (2014), studied the impact of liquidity, leverage, inflation on firm profitability an empirical analysis of food sector of Pakistan. The study focused on investigating the collision of leverage, liquidity and inflation on firm's profitability of the food industries of Pakistan. Leverage, inflation and also liquidity were being taken into consideration to spot the impact on profit, i.e. firm's earning (profitability). The research finding shows a negative relationship between leverage, liquidity and inflation also with firm's earning (profitability); Liquidity ratio is insignificantly related with return on asset and return on equity. Debt ratios are negatively associative with return on assets and return on sales. Profitability ratios are positively associative with return on assets and return on equity.

Swarnapali (2014) investigated the impact of bank-specific factors which include the operating expenses, credit risk, liquidity risk, capital strength and the bank size of Sri Lankan Licensed Commercial Banks (LCBs) on their financial performance measured by return on assets (ROA) and return on equity (ROE). The result indicates that operating expenses and the bank size influenced banks' performance in Sri Lanka. In investigating

whether internal attributes of corporate governance such as board size, outside directors, CEO duality, managerial ownership, and ownership concentration affect the firm performance in 154 listed firms in Pakistan over the period of 2004 and 2008.

Alhassan, Bajaher, and Alsherhri (2015) carried out a study on the determinants of profitability of eleven (11) banks listed on the Saudi Stock Exchange from 2007-2012. Parts of their independent variables were firm size and leverage. Using multiple linear regressions, they found that, of all the independent variables used in the study only firm size calculated as the natural logarithm of total assets had a significant effect on the profitability of the listed banks measured by return on assets. Employing Ordinary Least Square (OLS) and Two-Stage Least Squares (2SLS) estimation technique, Uyar and Baliruno (2015), sought to find out the effect of firm age on performance measured by net profit before tax and found that there is a significant positive relationship between firm age and performance.

2.3.2 Evidence from Developing Countries Firm Specific Attributes and Financial Performance

Daniel and Tilahun (2012) examined the impact of firm level characteristics (firm size, leverage, tangibility, loss ratio (risk), growth in written premium, liquidity and firm age) on performance of insurance companies in Ethiopia. Return on total assets (ROA), a key indicator of company's profitability was used as dependent variable while age of company,

size of the company, growth in written premium, liquidity, leverage and loss ratio were independent variables. The sample included 9 insurance companies listed on the Ethiopian Stock Exchange within the period of 2005-2010. The results of regression analysis revealed that firm size, tangibility and leverage are statistically significant and positively related with return on total assets; however, loss ratio (risk) is statistically significant but negatively related with ROA.

Using a sample of sixty-one listed firms in Nigeria, Iyoha (2012) employed Ordinary Least Square (OLS) estimation technique to investigate the impact of company attributes on the timeliness of financial reports in Nigeria for periods of 1999 to 2008. The results exhibited a positive relationship between firm age and timeliness of financial reports in Nigeria. Using panel data from 122 quoted firms in Nigeria between 1991 and 2008, Ujunwa (2012) employed Generalized Least Squares (GLS) estimation technique to explore the link between corporate board characteristics (board size, board skill, board nationality, board gender, board ethnicity and CEO duality) and financial performance of Nigerian quoted firms. The author found that board size, CEO duality and gender diversity were negatively linked with firm performance, however board nationality, board ethnicity and the number of board members with a PhD qualification were found to impact positively on firm performance.

Kira and He (2012) employed logistics regression to explore the impact of firm characteristics in accessing Finance by Small and Medium-sized Enterprises in in a survey of 163 Tanzanian firms and found that firm's location, industry, size, business information, age, incorporation and collateral influence access to debt finance

Still in Ethiopia, Yuvaraj and Abate (2013) examined the effects of firm specific factors (age of company, size of company, volume of capital, leverage ratio, liquidity ratio, growth and tangibility of assets) on profitability measured by return on assets. The sample of the study included nine of the listed insurance companies over nine years (2003-2011). From the regression results; growth, leverage, volume of capital, company size, and liquidity were identified as most important determinants of profitability. Hence, growth, size, and volume of capital are positively related. In contrast, liquidity ratio and leverage ratio are negatively but significantly related with profitability. The age of companies and tangibility of assets were found not to be significantly related with profitability.

Issa (2013) examined the effect of some selected firm characteristics on financial performance of firms listed in the agricultural sector of the Nairobi Securities Exchange. The study adopted a correlational research design and used multiple linear regressions as method of analysis. He found that of the variables used to represent firm characteristics, only liquidity had statistically significant effect on financial performance of listed agricultural firms measured by ROA. The other variables; firm size, leverage, and firm

age, though they had positive coefficients showed no significant effect on financial performance. The study recommends that management of firms should focus their effort on those firm specific variables that positively affect their long-term financial performance.

Shehu and Bello (2013) explored the relationship between firm characteristics and financial reporting quality of manufacturing firms listed on the floor of Nigerian Stock Exchange using a sample of 24 firms. The result of the study showed that profitability and independent directors are positively related with financial reporting quality while liquidity and leverage are inversely related with the financial reporting quality. Ubesie and Okwy-Nwangwu (2013) investigated firm's specific factors that determine financial performance in 13 commercial banks over the period of 2007 and 2013 using Pooled Ordinary Least Square (POLS) estimation technique. The result of the study revealed that banks' performance in Nigeria is influenced by the operating expenses and firm size. Erasmus (2013) examined the impact of firm size on performance of Microfinance institutions in Tanzania. The study employed the use of panel data for five years and 30 Microfinance institutions operating in the country. Firm size from the study was measured using total assets to numbers of borrowers and number of staff. The findings from the study reveal a positive impact of firm size measured by total asset and number of borrowers on the performance of Microfinance institutions in the country.

Soliman (2013) investigated the relationship between the voluntary disclosure level and firm characteristics for 50 Egyptian companies listed on the Egyptian Stock Exchange of the nonfinancial sector during the period 2007-2010. The firm characteristics used in the study are: firm size, auditor size, profitability, and firm's age. The results of multivariate analyses indicated that firm size and profitability have significant positive relationship with voluntary disclosure level whereas auditor size and firm's age have insignificant relationship with voluntary disclosure level.

Likewise, Dogarawa and Maude (2014) analyzed the extent to which market share, liquidity, credit risk, interest rate spread, leverage, efficiency, operating expenses, deposits, capital management, and bank size affect the financial performance of 13 listed commercial banks in Nigeria over the period of 2005 and 2014. The empirical result indicates that financial performance of banks in Nigeria is significantly affected by market share, liquidity, interest rate spread, leverage, and operating expenses while default risk, efficiency, deposits, capital management and size have no significant effect on financial performance.

In a related study, Hassan and Farouk (2014) employed POLS estimation technique to investigate the relationship between firm attributes and earnings quality of seven listed oil and gas companies in Nigeria for the period of 2007-2011 and found that leverage, liquidity and firm growth has a significant positive impact on earnings quality while firm

size, institutional ownership and profitability have a significant negative influence on earnings quality in listed oil and gas companies in Nigeria.

Conversely, Ibrahim (2014) examined the link between firm characteristics (return on investment, company listing age status, company growth, firm size, industry type and ownership diffusion) and the extent of voluntary segments disclosure on IFRS 8 Operating Segments by using a sample of 76 listed companies in Nigeria. The results of the panel least square estimation technique showed that firm size and industry type have positive relationship with voluntary segments disclosure. In addition, negative association is observed between firm listing age, growth, return on investment, ownership diffusion and voluntary segments disclosure.

In a related study, Abuh and Samaila (2015) examined the impact of firm's selected attributes on the financial performance of listed deposit money banks in Nigeria over the period of 2007 to 2013. The result of the Ordinary Least Squares regression technique revealed that bank's growth and risk assets quality have significant positive effect on the financial performance of these banks while bank's size has no significant impact on the financial performance. Focusing on the chemical and paints industry, Ibrahim and Salihu (2015) examined the relationship between corporate attribute of board size and market value of firms in six listed companies for the period of 2004 to 2012 using correlation and multiple regression analysis. The results of the study showed that board size has

insignificant negative impact on market value of equity implying that increasing the number of directors on the board decreases the market value of equity.

Uwuigbe, Uwuigbe and Okorie (2015) evaluated the effects of firm size, firm leverage and corporate strategy on firms' earnings management (proxied by discretionary accruals) among 20 listed firms in the Nigerian stock exchange for the period 2006-2010. The result of the pooled ordinary least square regression revealed that firm size and firms' corporate strategy have a significant positive impact on earnings management while financial leverage has an insignificant relationship with discretionary accruals.

Kazeem (2015) investigated the impact of firm specific characteristics on the financial performance of listed insurance firms in Nigeria. The study employed multiple regressions as tool for analysis. Secondary data obtained from the financial statements of the companies were analyzed. The result showed that firm size, loss ratio, liquidity, and leverage are the most important determinants of financial performance. Hence, firm size, loss ratio and leverage are negatively related. In contrast, liquidity ratio was positively and significantly related with financial performance. Age of insurance company and premium growth were found not to be significantly related with financial performance of listed insurance firms in Nigeria.

Uwuigbe, Uwuigbe, Adeyemo and Ogunbajo (2016) investigated the effects of company

attributes (leverage, firm size, firm age) on the success (ROA) for thirty listed companies on the Nigerian Stock Exchange (NSE) covering 2007-2011. The result of the study revealed that only the firm age has significant relationship with success of the firm.

Similarly, Wakaisuka-Isingoma, Aduda, Wainaina and Mwangi (2016) examined the nexus among corporate governance, firm characteristics, external environment, and performance of financial institutions in Uganda. The study found that financial institutions could increase firm performance and achieve value maximization through the pursuit of best practices of corporate governance, firm characteristics, and external environment that would ultimately improve the overall firm performance.

The study of Mohammed and Usman (2016) examines the impact of corporate attributes (firm size, leverage, profitability, liquidity, firm growth) on share price of listed pharmaceutical firms in Nigeria using a sample of 5 listed firms for a period of 2004-2013. The result of the multiple regression technique revealed that firm size, leverage, profitability and growth have significant positive relationship with share price while liquidity is negatively related with share price.

In a related study, Ajibola (2017) examined the relationship among corporate governance attributes (board size, proportion of Non- executive director, proportion of outside share ownership, proportion of audit committee, frequency of audit meeting and audit quality),

firm characteristics (leverage, firm size and profitability) and disclosure of forward looking information on the Nigerian Stock Exchange using the data for 15 listed deposit money banks spanning 2010 - 2014. Findings from the estimated panel regression model revealed that audit committee and frequency of audit committee meeting are correlated with total disclosure while board size and outside share ownership are negatively correlated with total disclosure. Recently, Modugu and Eboigbe (2017) investigated the relationship between structure characteristics (firm size and leverage) and corporate disclosure in 60 companies listed on the

Nigerian Stock Exchange over the period of 2012 – 2014. The result of the Ordinary Least Squares (OLS) estimation technique revealed a significant positive relationship between firm size and mandatory disclosure while a negative relationship exists between leverage and mandatory disclosure. Further, the result disclosed that both leverage and firm size have a significant positive relationship with voluntary disclosure.

Mohammed (2017), investigated the impact of firm characteristics on firm value of listed healthcare firms in Nigeria. The study formulated five hypotheses and used panel data regression to analyze the secondary data extracted from the annual reports and accounts of the ten firms for the period 2008 to 2015. Firm value was represented by two proxies; share prices and Tobin's Q. The study found that firm size has positive significant impact on the firm value of listed healthcare firms in Nigeria. The study also found that liquidity

has negative significant influence on the firm value of listed healthcare firms in Nigeria suggesting that excess liquidity position will be counter-productive to the firms because it decreases their value. Lastly, it was reported that leverage has negative and significant effect on firm value implying that high leverage does not lead to increase in value of the firm.

Irom, Okpanachi, Ahmed and Emmanuel (2018) examined the effect of firm attributes on the return on assets of listed companies in Nigeria for a period of five years (2012-2016). The population and sample size of the study comprised of all the 41 listed manufacturing companies in the Nigerian Stock Exchange as at 31 December, 2016. The result of random effect regression showed that all firm attributes apart from operating expenses and firm size had a negative and significant effect on return on asset.

Dioha et al., (2018), examined the effect of firm characteristics on profitability of listed consumer goods companies in Nigeria. Profitability is the dependent variable proxied by Return on sales (ROS), while firm characteristics is the independent variable proxied by firm age, firm size, sales growth, liquidity and leverage. Eighteen of the listed consumer goods companies were selected to form the sample of the study for the period of six years (2011-2016). The result of random effect regression provides evidence that all firm attributes apart from operating expenses and firm size had a negative and significant effect on return on asset.

Table 2.1. Summary of Empirical Review

S/N	Author and year	Title	Objectives of the Study	Research Instrument	Findings
1	Majumdar (1997)	The impacts of size and age of firms on firmlevel productivity and profitability	The study of size and age of firms on firm-level productivity and profitability	Secondary data Panel Regression	Older firms are more productive and less profitable, whereas the larger firms are more profitable and less productive.
2	Eriotis et al. (2007)	How firm characteristics affect capital structure for a sample of 129 companies listed on the Athens Stock Exchange during 1997–2001.	The study of firm capital structure for a sample of 129 companies listed on the Athens Stock Exchange during 1997–2001.	Secondary data Panel regression	The findings disclosed that there is a negative relation between the debt ratio of the firms and their growth, their quick ratio, and their interest coverage ratio.
4	Daniel and Tilahun (2012)	the impact of firm level characteristics (firm size, leverage, tangibility, loss ratio (risk), growth in written premium, liquidity and firm age) on performance of insurance companies in Ethiopia	To study the firm level characteristics (firm size, leverage, tangibility, loss ratio (risk), growth in written premium, liquidity and firm age) on performance of insurance companies in Ethiopia	Secondary Data	The findings reveal that Firm size, tangibility, and leverage are statistically significant and positively related with return on total asset. However, loss ratio (risk) is statistically significant but negatively related with ROA.

5	Kira and He (2012)	The impact of Firm characteristics in accessing Finance by Small and Medium-sized Enterprises in a survey of 163 Tanzania firms	To study the Firm characteristics in accessing Finance by Small and Medium-sized Enterprises in a survey of 163 Tanzania firms	Secondary Data	The Findings revealed that the Firm's location, Industry, Size, Business information, age, incorporation and collateral influence access to debit finance
6	Yuvaraj and Abate (2013)	The Impact of Firm specific factors (age of company, size of company, volume of capital, leverage ratio, liquidity ratio, growth and tangibility of assets) on profitability measured by return on assets.	The study of firm specific factors (age of company, size of company, volume of capital, leverage ratio, liquidity ratio, growth and tangibility of assets) on profitability measured by return on assets.	Secondary Data	The regression results revealed that growth, leverage, volume of capital, company size, and liquidity were identified as most important determinants of profitability.
7	Dogan (2013)	The Effect of firm size on profitability of 200 companies listed at the Istanbul Stock Exchange using data from the year 2008 to 2011 by using multiple regressions model	The study of firm size on profitability of 200 companies listed at the Istanbul Stock Exchange	Secondary Data	The findings revealed that firm size and liquidity are positively related to profitability as measured by ROA while leverage an firm age were negatively related to profitability measured by ROA

8	Issa (2013)	The Effect of some selected firm characteristics on financial performance of firms listed in the agricultural sector of the Nairobi Securities Exchange	To examine the Effect of some selected firm characteristics on financial performance of firms listed in the agricultural sector of the Nairobi Securities Exchange	Secondary data correlational research design and used multiple linear regressions as method of analysis	The findings shows that of the variable used to represent firm characteristics, only liquidity had statistically significant effect on financial performance of listed agricultural firms measured by ROA
9	Sumaira and Amjad (2013)	The impact of determinants of profitability in insurance sector of Pakistan .	To examine the determinants of profitability in the insurance sector	Secondary data	The findings shows that leverage, firm size, and age of the firm are significant determinants of profitability, while sales growth and liquidity were not significant
10	Yazdanfar (2013)	The impact of profitability determinants among micro firms using Swedish data of a sample of 12,530 micro firms from four different industries namely, healthcare, transport, metal and retail trade industries	To study the profitability determinants among micro firms using Swedish data of a sample of 12,530 micro firms	Secondary data	The findings shows that there was a positive and significant relationship between firm growth, firm size, productivity and firm profitability measured by ROA, and a significant and negative relationship between firm age and firm profitability explaining that younger firms were more profitable than older firms.

11	Erasmus (2013)	The impact of firm size on performance of Microfinance institutions in Tanzania.	To study the impact of firm size on performance of Microfinance institutions in Tanzania	Secondary data	The findings from the study reveal a positive impact of firm size measured by total asset and number of borrowers on the performance of Microfinance institutions in the country.
12	Kilic and Bayyurt (2013)	The factors that impact voluntary information disclosure level of Turkish manufacturing companies.	to determine the impact of voluntary information disclosure level of Turkish manufacturing companies.	Secondary data	The result indicates an evidence of a positive relationship between firm size, auditing firm size, proportion of independent directors on the board, institutional/corporate ownership, corporate governance and voluntary information disclosure level while leverage and ownership diffusion have significant negative relationship with the extent of voluntary disclosure. The result revealed that profitability, listing age, and board size were found to be insignificant.

13	Safdar, Hazoor, Toheed and Ammara (2013)	The impact of firm characteristics on stock returns of Karachi stock exchange in Pakistan	To study the effect of firm characteristics on stock returns of 307 non-financial listed companies in Karachi stock exchange in Pakistan	Secondary data	A positive relationship between market capitalization, earning per share and book to market and sales growth with stock returns.
14	Soliman (2013)	The relationship between the voluntary disclosure level and firm characteristics for companies listed on the Egyptian Stock Exchange	To study the relationship between the voluntary disclosure level and firm characteristics for companies listed on the Egyptian Stock Exchange	Secondary data	The results of multivariate analyses indicated that firm size and profitability have significant positive relationship with voluntary disclosure level whereas auditor size and firm's age have insignificant relationship with voluntary disclosure level.
15	Ajanthan (2013)	The relationship among some specific characters of corporate governance.	The aim of the study is to investigate the association between firm characteristics, corporate governance attributes, and the level of corporate disclosure of listed firms in India.	Secondary data	They found a positive relationship between board size, ratio of audit committee members to total board members, family control, CEO duality, firm size, profitability, liquidity, and the extent of corporate disclosure. On the other hand, the degree of corporate disclosure was negatively related to board composition, leverage, and age of the firm.

16	Kuwait, Alfraih and Almutawa (2014).	The relationship between firmspecific characteristics and corporate financial disclosure among listed firms in Kuwait Stock Exchange.	To study the relationship between firmspecific characteristics and corporate financial disclosure among listed firms in Kuwait Stock Exchange.	Secondary data	The authors found that that older, highly leveraged, larger, and profitable KSElisted firms are associated with high levels of corporate disclosures while high quality and rigorous external audits in promoting corporate disclosure

17	Swarnapali (2014).	The impact of bank-specific factors on performance of Sri Lankan Licensed Commercial Banks (LCBs)	To examine the impact of bankspecific factors on performance of Sri Lankan Licensed Commercial Banks (LCBs)	Secondary data	The result indicates that operating expenses and the bank size influenced banks' performance in Sri Lanka

18	Alhassan, Bajaher, and Alsherhri (2015)	The determinants of profitability of banks listed on the Saudi Stock Exchange.	The study is carried out to examine the determinants of profitability of eleven banks listed on the Saudi Stock exchange.	Least square method and two stage squares estimation techniques	Parts of their independent variables were firm size and leverage. Using multiple linear regressions, they found that, of all the independent variables used in the study only firm size calculated as the natural logarithm of total assets had a significant effect on the profitability of the listed banks measured by return on assets. Employing Ordinary
19	Uyar and Baliruno (2015)	The effect of firm age on performance measured by net profit before tax	To examine the effect of firm age on performance.	Secondary data	Found that there is a significant positive relationship between firm age and performance.
20	WakaisukaIsingoma, Aduda, Wainaina and Mwangi (2016).	The nexus among corporate governance, firm characteristics, external environment, and performance of financial institutions in Uganda	To study the nexus among corporate governance, firm characteristics, external environment, and performance of financial institutions in Uganda	Secondary data	The study found that financial institutions could increase firm performance and achieve value maximization through the pursuit of best practices of corporate governance, firm characteristics, and external environment that would ultimately improve the overall firm performance.

21	Iyoha (2012)	The impact of company attributes on the timeliness of financial reports.	To examine the effect of company attributes on the timeliness of financial reports in Nigeria.	Least Square (OLS) estimation technique	The results exhibited a positive relationship between firm age and timeliness of financial reports in Nigeria.
22	Shehu and Bello (2013)	The relationship between firm characteristics and financial reporting quality of manufacturing firms.	To examine the relationship between firm characteristics and financial reporting quality of manufacturing firms.	Secondary data	The result of the study showed that profitability and independent directors are positively related with financial reporting quality while liquidity and leverage are inversely related with the financial reporting quality
23	Ubesie and OkwyNwangwu (2013)	Firm's specific factors that determine financial performance in 13 commercial banks.	Examine the effect of firm's specific factors that determine financial performance	Pooled Ordinary Least Square (POLS) estimation technique	The result of the study revealed that banks' performance in Nigeria is influenced by the operating expenses and firm size.

24	Dogarawa and Maude (2014).	The extent to which market share, liquidity, credit risk, interest rate spread, leverage, efficiency, operating expenses, deposits, capital management, and bank size affect the financial performance banks in Nigeria.	study the extent to which market share, liquidity, credit risk, interest rate spread, leverage, efficiency, operating expenses, deposits, capital management, and bank size affect the financial performance.	Secondary data	The empirical result indicates that financial performance of banks in Nigeria is significantly affected by market share, liquidity, interest rate spread, leverage, and operating expenses while default risk, efficiency, deposits, capital management and size have no significant effect on financial performance
25	Hassan and Farouk (2014)	The relationship between firm attributes and earnings quality of seven listed oil and gas companies in Nigeria.	To study the relationship between firm attributes and earnings quality of seven listed oil and gas companies in Nigeria.	POLS estimation technique	Found that leverage, liquidity and firm growth has a significant positive impact on earnings quality while firm size, institutional ownership and profitability have a significant negative influence on earnings quality in listed oil and gas companies in Nigeria.

26	Ibrahim (2014).	The link between firm characteristics and the extent of voluntary segments disclosure	To study the link between firm characteristics and the extent of voluntary segments disclosure	Panel least square estimation technique	Firm size and industry type have positive relationship with voluntary segments disclosure. In addition, negative association is observed between firm listing age, growth, return on investment, ownership diffusion and voluntary segments disclosure
27	Abuh and Samaila (2015)	The impact of firm's selected attributes on the financial performance of listed deposit money banks in Nigeria	To examine the effect of firm's selected attributes on the financial performance of listed deposit money banks in Nigeria	Ordinary Least Squares regression technique	The result of the revealed that bank's growth and risk assets quality have significant positive effect on the financial performance of these banks while bank's size has no significant impact on the financial performance. Focusing on the chemical and paints industry
28	Ibrahim and Salihu (2015)	the relationship between corporate attribute of board size and market value of firms.	To study the relationship between corporate attribute of board size and market value of firms.	Correlation and multiple regression analysis.	The results of the study showed that board size has insignificant negative impact on market value of equity implying that increasing the number of directors on the board decreases the market value of equity.

29	Uwuigbe, Uwuigbe and Okorie (2015).	The effects of firm size, firm leverage and corporate strategy on firms' earnings management	To analyse the impact of firm size, firm leverage and corporate strategy on firms' earnings management	Secondary Data	The result of the pooled ordinary least square regression revealed that firm size and firms' corporate strategy have a significant positive impact on earnings management while financial leverage has an insignificant relationship with discretionary accruals.
30	Kazeem (2015)	The impact of firm specific characteristics on the financial performance of listed insurance firms in Nigeria.	Examine impact of firm specific characteristics on the financial	Secondary data	The result showed that firm size, loss ratio, liquidity, and leverage are the most important determinants of financial performance
31	Uwuigbe, Uwuigbe, Adeyemo and Ogunbajo (2016).	The effects of company attributes on the success of listed companies on the Nigerian Stock Exchange	To study the effect of company attributes (leverage, firm size, firm age) on the success (ROA) for thirty listed companies on the Nigerian Stock Exchange	Secondary Data	The findings of the study revealed that only the firm age has significant relationship with success of the firm.

32	Mohammed and Usman (2016)	The impact of corporate attributes (firm size, leverage, profitability, liquidity, firm growth) on share price of listed pharmaceutical firms in Nigeria	To examine the effect of corporate attributes (firm size, leverage, profitability, liquidity, firm growth) on share price of listed pharmaceutical firms in Nigeria	Secondary data	The findings of the multiple regression technique revealed that firm size, leverage, profitability and growth have significant positive relationship with share price while liquidity is negatively related with share price.
33	Ajibola (2017)	The impact corporate governance attributes, firm characteristics and disclosure of forward looking information on the Nigerian Stock Exchange.	To study the impact of corporate governance attributes (board size, proportion of Non- executive director, proportion of outside share ownership, proportion of audit committee, frequency of audit meeting and audit quality), firm characteristics (leverage, firm size and profitability) and disclosure of forward looking information on the Nigerian Stock Exchange.	Secondary Data	Findings from the estimated panel regression model revealed that audit committee and frequency of audit committee meeting are correlated with total disclosure, while board size and outside share ownership are negatively correlated with total disclosure.
34	Modugu and Eboigbe (2017)	The relationship between structure characteristics (firm size and leverage)	to study the relationship between structure characteristics (firm size and leverage) and corporate	Secondary data	The Findings of the Ordinary Least Squares (OLS) estimation technique revealed a significant positive relationship between

		and corporate disclosure of companies	disclosure in 60 companies listed on the Nigerian Stock Exchange.		firm size and mandatory disclosure while a negative relationship exists between leverage and mandatory disclosure. Further, the result disclosed that both leverage and firm size have a significant positive relationship with voluntary disclosure.
35	Mohammed (2017).	The impact of firm characteristics on firm value of listed healthcare firms in Nigeria.	To study the impact of firm characteristics on firm value of listed healthcare firms in Nigeria.	Secondary data	The study found that firm size has positive significant impact on the firm value of listed healthcare. The study also found that liquidity has negative significant influence on the firm value of listed healthcare firms in Nigeria suggesting that excess liquidity position will be counter-productive to the firms because it decreases their value
36	Irom, Okpanachi, Ahmed and Emmanuel (2018)	The effect of firm attributes on the return on assets of listed companies in Nigeria.	To examine the effect of firm attributes on the return on assets of listed companies in Nigeria.	Secondary Data	The result of random effect regression showed that all firm attributes apart from operating expenses and firm size had a negative and significant effect on return on asset.

37	Dioha et al., (2018)	The effect of firm characteristics on profitability of listed consumer goods companies in Nigeria.	To study the impact of firm characteristics on profitability of listed consumer goods companies in Nigeria.	Secondary Data	The result of random effect regression provides evidence that all firm attributes apart from operating expenses and firm size had a negative and significant effect on return on asset.
38	Foyeke, Ojeka and Aanu (2015)	Firm Size and Financial Performance	To study the effect of Firm Size and Financial Performance	Secondary data	The study reveals that there is a significant positive relationship between firm size and corporate governance voluntary disclosure
39	Inyiama & Chukwuani (2014)	Interactions between Firm Size and Firm's Financial Performance	A Study Based on Brewery Sector of Nigeria.	Secondary data	The study reveal Firm Size has both short and long term positive effect on EPS; with a significant long run influence.
40	Odalo, Achoki & Njuguna (2016) in Kenya	Agricultural Firms Listed in the Nairobi Securities Exchange	to study the effect of agricultural firms listed in Nairobi securities exchange	Descriptive Statistics, Correlation analysis	The results indicate that company size as measured by total assets affects financial performance of agricultural companies listed in NSE positively and significantly. Company size had positive and statistical significance on all the three indicators of the financial performance disclosing that large companies were found to have a competitive advantage over small firms

41	Pervan & Višić (2012) in Croatia	The influence of firm size on financial performance	Examine the influence of firm size on financial performance	secondary data	Study revealed that firm size has a significant positive (although weak) influence on firm profitability. Additionally, results showed that assets turnover and debt ratio also statistically significantly influence firms' performance while current ratio didn't prove to be an important explanatory Found positive impact of firm size on financial performance.
42	Sheik Ali Banafa (2016) studied.	The effect of leverage, liquidity and firm size on financial performance of listed non- financial firm in Kenya	Examine the effect of leverage, liquidity and firm size on financial performance of listed non- financial firm in Kenya	Secondary data	The findings of the study revealed that the joint effect of Leverage, Liquidity, firm size, Days account receivables (AR) and Days accounts payables (AP) influenced the firm's performance positively.
43	Ali (2015)	The effect of liquidity management on profitability in the Jordanian commercial banks	To study the effect of liquidity management on profitability in the Jordanian commercial banks.	Regression analysis	The findings showed that an increase in the capital ratio and the liquid asset ratio which leads to decrease in the profitability of the Jordanian commercial banks, all of them established a significant negative impact of liquidity on firm's financial performance.

44	Mengesha (2014)	Addis Ababa, Ethiopia on Metal Manufacturing Companies	The study of metal manufacturing companies	Secondary data	A significant negative relationship between cash conversion cycle and profitability measures of the sampled firms.
45	Ahmed et al., (2011)	The impact of firm level characteristics on the performance of the life insurance sector of Pakistan.	Study the impact of firm level characteristics on the performance of the life insurance sector of Pakistan.	OLS regression analysis	The study also showed that firm size is positively and significantly related to the performance of insurance companies Leverage is negatively and significantly related to the performance of life insurance companies. Growth of written premium and age of a firm has also negative relation to performance of life insurance companies but they are statistically insignificant.
46	Era and Holger (2007)	The effect of firm-specific variables on profitability of Armenian banks	To examine the effect of a number of firm-specific variables on profitability of Armenian banks	Secondary data	The study revealed that the explanatory variables have large potential to increase profitability
47	Lee (2009)	The effect of size on firm performance	The study investigated the effect of size on firm performance	panel data and run a multi variate regression	Firm performance as measured net income plus advertising expenses over total assets.

48	Ondiek (2010)	the relationship between capital structure and financial performance of firms listed at the NSE	Study the relationship between capital structure and financial performance of firms listed	multi variate regression analysis	DA had the largest explanatory power of 86.39% compared to SDA and LDA. However, in all the models she found that firm size and sales growth were positively related to profitability and SDA was positively related to firm performance significantly and LDA was significantly negative when related with firm performance
49	Chogii (2009)	corporate governance theories and firm performance	The effect of corporate governance theories and firm performance	Secondary data	Board size was negatively related to both Tobin Q and ROA as measures of performance
50	Mafoudh (2013)	Effect of selected firm characteristics on firm financial performance	to investigate the effect of firm characteristics on firm financial performance	multi variate linear regression analysis	Firm financial performance and board size was the only variable that was negatively related to firm financial performance.
51	Ajanthan (2013)	The relationship among some specific characters of corporate, and profitability.	To study the relationship among some specific characters of corporate governance (Board composition, Board Size, and CEO duality), capital structure, and profitability	Regression analysis	The results indicated a positive relationship between board size, board composition, CEO duality and profitability

52	Nandi and Ghosh (2012)	The association between firm characteristics, corporate governance attributes, and the level of corporate disclosure of listed firms in India.	To study the association between firm characteristics, corporate governance attributes, and the level of corporate disclosure of listed firms in India.	Regression Analysis	They found a positive relationship between board size, ratio of audit committee members to total board members, family control, CEO duality, firm size, profitability, liquidity, and the extent of corporate disclosure. On the other hand, the degree of corporate disclosure was negatively related to board composition, leverage, and age of the firm.
53	Soliman (2013	The relationship between the voluntary disclosure level and firm characteristics for Egyptian companies	To study the relationship between the voluntary disclosure level and firm characteristics for Egyptian companies	Secondary data	auditor size and firm's age have insignificant relationship with voluntary disclosure level.
54	Onuorah and Imene (2016)	The impact of corporate governance) and firm quality of financial reporting in Nigeria	To study the impact of corporate governance (board size, board independence, audit quality, quality of external audit and board experience) and firm quality of financial reporting in Nigeria	Secondary data	Corporate governance indicators and Audit quality influence the quality of financial reporting among the firms in Nigeria.

Source: Authors' Computation, (2019)

2.3.3. Summary of Empirical Review and Gap in Literature

From the empirical evidence reviewed, it can be noted that studies on the impact firm specific attributes and financial performance of quoted consumer goods in Nigeria firms are few. This is because, despite that some of the variables used in these studies have highly featured in prior literature such as liquidity and leverage they are mostly combined with firm size, firm growth and age previous studies such as (Dioha et. al, 2018), on quoted consumer goods firms most did not consider management efficiency and asset tangibility which makes this study unique, also the result of the previous studies are marred by inconsistent findings. These inconsistencies are mainly due to methodological differences such as the sample size and study domain, period covered, use of different statistical packages and method of analysis employed.

Also the bulk of empirical literature have focused on the relationship between firm attributes and bank performance; firm attributes and performance of insurance companies; between firm attributes and share price; between firm attributes and corporate disclosure, financial reporting quality and between corporate governance attributes and firm performance while those on the relationship between firm specific attributes and financial performance among quoted consumer goods firms are very few especially in the case of Nigeria.

Therefore, since different sectors present different findings with respect to the effect of firm specific attributes on financial performance, the result of prior studies in other sectors may not hold true in this case. It then follows that there is the need to study this research portents in the context of the quoted consumer goods firms given their strategic importance to the economy.

2.3.4 Theoretical Framework

The theoretical underpinning of this study is the resource based theory. The resource-based theory (RBT) is a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, efficiency, skills, capabilities, and intangibles as an organization. This theory is concerned with internal firm characteristics and their effect on firm performance. It views the firm as a bundle of resources which are combined to create organizational capabilities which it can use to earn above average income (Grant, 1991). Each firm develops competencies from these resources, and when they are well developed, these become the source of the firm's competitive advantages. This theory will aide in explaining performance variation of consumer good firms as it specifically addresses firm characteristics rather than industry factors. The financial resources are normally measured by leverage ratios which enable the firm to increase its project financing by borrowing from debt providers. Liquidity also measures the spontaneous financial resources available to conduct normal business operations. The

physical resources as measured by the assets tangibility is one of the resources the firm can use to gain competitive advantage, whereas business experience of the firm gives the firm organizational capabilities that it can use to gain a competitive advantage over its competitors thus being able to earn an above average financial performance.

CHAPTER THREE

METHODOLOGY

This chapter focused on the research methods that were used to achieve the general and specific objectives of this study. It entails the research design, population and sample size, model specification, method of data analysis and

3.1. Research Design

The study used *ex-post facto* research design and a set of panel data estimates was applied to analyse the impact of firm specific attributes on the financial performance (ROA) of quoted consumer good firms in Nigeria for a period of six years (2012-2017). Data collected from annual reports of the firms were analyzed using descriptive and inferential statistics. Panel data regression was used in testing the hypotheses using estimation techniques of Ordinary Least Square Regression (OLS).

3.1.1. Population of the Study

The population of the study comprised all the 21 quoted consumer good firms on the Nigerian Stock Exchange as at 31st December 2018 (NSE 2018). The consumer goods sector deals with goods that are consumable by individuals and households.

3.1.2. Sample Size & Sampling Technique

The sample size comprised seventeen (17) consumer goods firms quoted on the Nigerian Stock Exchange as at 31st December, 2018. The use of quoted consumer goods firms can be justified based on the following criteria;

i) availability and reliability of their financial data

ii) Stock exchange listing from 2012 till date

Hence quoted consumer goods firms that could not meet the above criteria were excluded from the sample.

The choice of the consumer goods sector was due to its imminent contribution to the country's GDP. The list of the seventeen quoted consumer good firms with year listed on the Nigerian Stock Exchange are shown in table 3.1

Table 3.1. Sample List

S/N	Company	Year listed
1.	Cadbury Nigeria Plc	1976
2.	Champion Brew Plc	1983
3.	Dangote Flour Mills Plc	2008
4.	Dangote Sugar Refinery Plc	2007

5.	Okomu Oil palm Company Plc	1976
6.	Guiness Nigeria Plc	1965
7.	Honeywell Flour Mills Plc	2009
8.	International Breweries Plc	1995
9.	McNichols Plc	2009
10.	Livestock feeds Plc	1963
11.	Nascon Allied Industries Plc	1992
12.	Nestle Nigeria Plc	1979
13.	Nigerian Breweries Plc	1973
14.	Nigerian Ennamelware Plc	1979
15.	PZ Cussons Nigeria Plc	1974
16.	Unilever Nigeria Plc	1973
17.	Vitafoam Nigeria Plc	1978

Source: Nigerian Stock Exchange Fact book (2018)

3.1.3. Source of Data

This study employed secondary data sourced only from Nigeria Stock Exchange (NSE) published fact book and audited annual reports of the firms covering the period of 2012 – 2017 (6 years).

3.2. Model Specification

The study adapted the model of Dioha et. al (2018), who measured performance with Return on Sales (ROS) as a function of firm attributes on quoted consumer goods firms. The study adapted this model because the research study area and theoretical framework (resource based theory) is the same and the model represents all internal specific attributes associated with the industry which constitutes financial and non- financial indices of firm attributes. This was specified as:

Profitability = (ROS)

Profitability which is measured by Return on Sales, is a function of five explanatory variables, namely: firm age (FAG), firm size (FSZE), liquidity (LIQ), Sales Growth (SAG) and leverage (LEV).

That is; ***ROS = f (FAG, FSZE, SAG, LIQ, LEV)***

The Ordinary Least Square (OLS) regression model was used to estimate the effect of the explanatory variables on the explained variable, ROS. The model is given below:

$$ROSit = \beta 0 + \beta 1FAGit + \beta 2FSZEit + \beta 3SAGit + \beta 4LIQit + \beta 5LEVit + eit \ldots\ldots\ldots\ldots (3.1)$$

Where:
$\beta 0, \beta 1, \beta 2, \beta 3 \ldots\ldots\ldots\ldots\ldots \beta 5$ are parameters to be estimated with a priori expectation.

FAG = Firm Age, measured as logarithm of number of years in operation, **FSZE = Firm Size**, measured as natural logarithm of total assets, **SAG = Sales Growth**, measured as percentage increase in turnover, **LIQ = Liquidity**, measured as ratio of total current assets

to total current liabilities, **LEV = Leverage**, measured as ratio of total liabilities to total assets, **β0 = Constant**, ***e* = Error term**

In order to achieve the specific objectives of this study which is an analysis of firm specific attributes (management efficiency, liquidity, leverage and asset tangibility) on the financial performance (ROA) of quoted consumer goods firms in Nigeria and also in line with the underlying theories used in the study. The model was re-modified to include financial variables specific to manufacturing firms (management efficiency and asset tangibility) and excludes those variables such as Firm size and Firm age and sales growth because the focus of this study are specific attributes that constitutes the area of management core competence. The model for this study is thus;

ROA= f (MGEFF, LQD, LVG, ATANG)……..(3.2)

The panel data analysis was used to estimate the effect of the explanatory variables on the explained variable, ROA. The model is given below:

$$ROA_{it}=\beta 0 + \beta 1 MGEFF_{it} + \beta 2 LQD_{it} + \beta 3 LVG_{it} + \beta 4 ATANG_{it} + e_{it} \ldots\ldots\ldots\ldots\ldots\ldots (3.3)$$

Where: α, β1, β2, β3.....β4 are parameters to be estimated.

MGEFF = Management efficiency, measured as turnover divided by total assets

LQD = Liquidity, measured as ratio of total current assets to total current liabilities.

LVG = Leverage, measured as ratio of total liabilities to total assets.

ATANG= Asset Tangibility, measured as ratio of non-current assets to total assets

α = Constant

e = Error term

3.3 Method of Data Analysis

In analyzing the data, both the inferential and descriptive statistics were adopted. Descriptive statistics was used to summarize the basic characteristics of the data. Also, correlation matrix was used to explain the relationship between each of the firm specific and financial performance. The panel data regression analysis model was also employed to estimate the impact of firm specific attributes (Management efficiency (MGEFF), Liquidity (LQD), Leverage (LVG) and Asset Tangibility (ATANG) on the financial performance of quoted consumer good firms in Nigeria measured by Return on Asset (ROA). This method of analysis gives a number of techniques that can help examine changes over time. It includes the pool, fixed, random effect and generalized linear model method of data analysis.

3.3.1 Fixed Panel Regression Model

Fixed-effects (FE) models are used when we are only interested in analyzing the impact of variables that vary over time. FE models explore the relationship between predictor and outcome variables within an entity. Each entity has its own individual characteristics that may or may not influence the predictor variables. (Torres-Reyna, 2007).

3.3.2 Random Effect Model

The random effect model assumes that the individual heterogeneity is uncorrelated with or, more strongly, statistically independent of all the observed variables. Sometimes, data represent situations with correlated error terms. Therefore, FE models could not be suitable to estimate coefficients since inferences may not be correct. In this case, it would be better to proceed differently by using Random-Effects models. Unlike FE models, in the RE models it is assumed that the variation across entities is random and uncorrelated with the predictor or independent variables included in the model. The crucial distinction between FE and RE is whether the unobserved individual effect embodies elements that are correlated with the regressors in the model, not whether these effects are stochastic or not (Greene, 2008).

3.3.3 Heteroskedasticity Test

The study deals with observations that constitute different sizes, some are in decimal while others in units, and that heteroskedasticity sometimes occurs when there is a large difference among the sizes of observations. For that, the study had to run a heteroskedasticity test in order to see its existence or otherwise. It was done using Breusch-pagan/cook-weisberg test for heteroskedasticity.

3.3.4. Hausman Test

In view of the fact that both fixed and random effect tests were conducted. Hausman test was used to decide the best out of the two results. The test enabled the researcher to choose the most appropriate between the fixed and random effect models.

3.4. Measurement of Variables and Apriori Expectation

Variables	Definition and Measurement of Variables	Apriori Expectation
Financial performance (ROA)	The financial performance of a firm reflects how effectively the firm has been managed and resources utilized. It can be measured in terms of profitability. Firm performance is measured by Return on Asset (ROA) and It is expressed as: $ROA = \frac{NetIncome}{TotalAsset} X100$	
Management efficiency (MGEFF)	Management efficiency is the process where a firm makes use of limited resources effectively and is measured as turnover divided by total assets.	Positive relationship

Liquidity (LQD)	Liquidity signifies how solvent a firm is and it is measured as the ratio of current assets to current liabilities	Positive relationship
Leverage (LVG)	Leverage is the amount of debt invested in a firms' total asset and is measured as (the ratio of debt to total assets)	Negative relationship
Asset Tangibility (ATANG)	Asset Tangibility is the investment a company makes towards tangible assets to serve as collateral in case of borrowing funds and it is measured by ratio of non-current assets to total assets	Positive relationship

Source: Authors' Computation (2019)

CHAPTER FOUR
RESULTS AND DISCUSSION

This chapter analyses and statistically interprets the data collected for the study. It begins with presentation and discussion of descriptive statistics and subsequently the result of correlation analysis. It then presents the regression results and discusses the findings in the light of previous studies. The chapter concludes with highlight of the policy implications of the findings.

4.1 Descriptive Statistics

Table 4.1 shows the summary statistics of the firm specific attributes and financial performance utilized in the study from 2012 to 2017. These relate to the mean, median,

minimum and maximum values, and the distribution of the sample measured by the skewness, kurtosis, and the Jarque-Bera (JB) statistic.

Table 4.1 : Descriptive Statistics Summary

	ROA	MGEFF	LQD	LVG	ATANG
Mean	11.01105	0.105589	1.138680	55.51936	48.71479
Median	8.388250	0.086842	1.095019	58.44664	51.66003
Maximum	153.4651	1.708104	2.849365	100.0092	88.48155
Minimum	-29.75420	-1.08039	0.07399	-4.33458	13.39785
Std. Dev.	18.16523	0.251383	0.541137	17.22136	19.89086
Skewness	4.585920	1.107772	0.642332	-0.49347	-0.108005
Kurtosis	38.6339	23.37022	3.298075	3.661908	1.813863
Jarque-Bera Probability	5754.062 0.000000	1784.382 0.000000	7.319185 0.000000	6.001722 0.049744	6.177723 0.045554
Observations	102	102	102	102	102

Source: Author's Computation (2019)

It was observed that the mean of financial performance measured by return on asset (ROA) in the period was 11.011 with a standard deviation of 18.165 which shows that the data is

clustered around the mean, also the maximum and minimum value of ROA ranges from 153.46 to -29.754 which also shows a high disparity. This indicates that the returns of some of the firms are relatively high and the returns of others are relatively low.

Management efficiency (MGEFF) had an average value of 0.105 with standard deviation of 0.251 which indicates that the data is clustered around the mean, it also has maximum and minimum values of 1.708 and -1.080 which indicates that turnover to total assets ratio are relatively high.

Liquidity (LQD) showed an average value of 1.138 with a standard deviation of 0.541 which implies that quoted manufacturing firms' are able to meet their current liabilities up to 1.13times. The maximum and minimum liquidity ranges from 2.849 to 0.073.

Leverage (LVG) showed an average value of 55.519 with a standard deviation of 17.221 which indicates that 55.29% of the firms' total assets were financed by debt. The maximum and minimum value also ranges from 100.009 to -4.334. This implies that some firms use high level of debt (highly levered) to operate and run their activities and some others use very minimal level of debt and or consider low debt in financing their activities.

Lastly the analysis showed that Asset tangibility (ATANG) had a mean of 48.714 and the maximum and minimum value ranges between 88.482 and 13.397 with standard deviation of 19.890.

Skewness which is a measure of symmetry and asymmetry nature of random individual variable about its mean, which can be positive or negative, or even undefined depending on the biasness of the tails (Gujarati, 1999). The skewness statistics revealed that all the variables are positively skewed except leverage that is negatively skewed.

In addition, the kurtosis which is a parameter that describes how tall and sharp the central peak is relative to a standard bell curve and indicate the level of peakness in variables measured to know whether or not they follow a normal distribution. The kurtosis of return on asset (ROA),

Management efficiency (MGEFF), Liquidity (LQD), Leverage (LVG) and asset tangibility (ATANG) exceeds three which implies that the distribution of the series is greatly peaked relative to the normal distribution. This indicates that the distribution of the series is highly peaked relative to the normal distribution.

Jarque-Bera test is used to test for goodness of fit and whether the skewness and kurtosis match a normal distribution. It is used to test for the hypothesis to ensure that the variables are from a normal distribution. Hence using the JB test, if the probability is less than the level of significance (critical value) we reject the null hypothesis. The probability of Jarque-Bera statistic for each variable is between 0.000- 0.049 (p-value) which is

significant at 5% significance level. This indicates that the regression residual are normally distributed since without normality t and f statistic may not follow t and f distribution.

4.2 Correlation Analysis

Table 4.2 reports the results of preliminary correlation analyses among independent variables so as to evaluate the direction and degree of relationship between financial performance (ROA) and firm specific attributes (MGEFF, LQD, LVG and ATANG) with a view to examining the relationship between firm specific attributes on financial performance of quoted manufacturing firms in Nigeria.

Table 4.2 Correlation Matrix

	ROA	MGEFF	LQD	LVG	ATANG
ROA	1.0000				
MGEFF	0.894433	1.0000	-0.069308	-0.193911	-0.172402
LQD	-0.135865	-0.069308	1.0000	0.024676	-0.144382
LVG	-0.131905	-0.193911	0.024676	1.0000	-0.096766
ATANG	-0.080455	-0.172402	-0.144382	-0.096766	1.0000

Source: Author's Computation (2019)

The result showed that only management efficiency (MGEFF) was positively correlated with financial performance (ROA) while liquidity (LQD), leverage (LVG) and asset tangibility (ATANG) are negatively related with financial performance (ROA).

4.3 Test of Hypotheses

This section deals with the regression result of the explained variable proxied by ROA and the explanatory variables (MGEFF, LQD, LVG & ATANG) of the study. The results obtained from fixed and random effect model were presented first before Hausman specification test so as to decide the appropriate model from the two possible options.

Table 4.3: Fixed Effect and Random effects Result

Dependent Variable (ROA)	Fixed Effect			Random Effect		
Independent Variable	COEFF.	T.STAT	p-value	COEFF.	T.STAT	p-value
MGEFF	64.05193	17.01387	0.0000	64.52010	18.85008	0.0000
LQD	0.009893	(1.774132)	0.0798	(0.009352)	(1.716994)	0.0892
LVG	0.099350	1.333225	0.1862	0.072887	1.247627	0.2152
ATANG	0.132246	1.540831	0.1273	0.084912	1.504645	0.1357
Constant	7.565043	(1.124676)	0.2640	(3.487317)	(0.784249)	0.4348
R_2	0.880179			0.800792		
Adj. R^2	0.850593			0.792764		
F.STAT	29.75028			97.59194		
P-value	0.0000			0.0000		
D.W	1.424482			1.184768		

Source: Author's computation (2019)

4.3.1 Interpretation of Fixed Effect Result

From the regression result in Table 4.3, all the variables except MGEFF (p- value= 0.0000) are not statistically significant (according to the p-value of the regression) at 5% level of significance.

From the Coefficient or constant, in the model the value of $\alpha$is 7.565 which means holding all the variables (MGEFF,LQD,LVG& ATANG) constant, ROA equals to 7.57 per cent.

Under the T-ratio, the result showed that the variables are statistically significant for each variable, after getting $\mathbf{t}_{(\propto/2,\ \mathbf{n-k})}$ and we tend to reject the hypothesis if only the t-statistic $> \mathbf{t}_{\propto/2,\ \mathbf{n-k}}$ assuming $\boldsymbol{\beta}_{\prime\mathbf{s}}$ is equal to zero and $\mathbf{t}_{(0.05/2,\ 102-6)} = 1.658$ at 5% significance level. Since $\boldsymbol{\beta}'_{\mathbf{s}}$ is zero for all the slope, then, the t-tab of 1.658 will be used to make the decision for each variable. Using the probability value of f-statistic (p-value) to test for the joint hypothesis, which states that reject null hypothesis if the p-value(f-statistic) < level of significance. In the regression result, the p-value (f-statistic) is 0.0000 which is less than 5% level of significance (0.0000 < 0.1), hence we reject the null hypothesis which indicates that the independent variables have a joint effect on the dependent variable.

From the regression result, R-squared is 0.880 which indicate that about 88.01% of the variation in the dependent variable can be explained by the explanatory variable. The adjusted r-squared was 0.851 (85.10%) which indicates that the explanatory variables improves the model by 85.10% In the result, the Durbin Watson (DW) of 1.424 is lower than the upper DW at 1% level of significance. The value of the lower and upper value is

1.46 and 1.63 respectively. This indicates that there is no presence of autocorrelation in the variables used for the study since it does not fall within the upper and lower value of the DW table.

4.3.2 Interpretation of Random Effect Result

The p-value indicates that MGEFF is statistically significant at 5% level of significance (Table 4.3) while LQD, LVG & ATANG are insignificant at 5% level of significance. Although, LQD was found to be significant at 10% significance level. The constant (α) indicates that if MGEFF, LQD, LVG & ATANG are held constant, ROA tends to increase at the rate of -3.847 per cent.

From the result, the t-statistic is positive for MGEFF at 18.85, LVG at 1.247 and ATANG at 1.505 while it is negative for LQD at -1.717 (see Table 4.3). From the t-ratio ($t_{(\propto/2,\ n-k)}$) calculated, the result shows that MGEFF, LVG & ATANG have positive effect while LQD has negative effect on the financial performance based on the decision rule under the t-statistic.

In Table 4.3, the f-statistic is 97.59 which indicates that the variables are jointly significant in explaining the impact of firm specific attributes on financial performance of quoted consumer goods firms. The p-value (0.0000) also indicates all variables are jointly statistically significant at 5% level of significance in explaining the dependent variable.

From the regression result, Rsquared is 0.80 which indicate that about 80.00% of the variation in the dependent variable is explained by the explanatory variable. The adjusted R-squared was 0.792 (79.2%) which indicates that the explanatory variable improves the model by 79.2%.

From the result the DW is 1.185 which is equally lower than the lower value of 1.46 and upper value of 1.63 at 1% level of significance. This indicates that there is no presence of autocorrelation in the variables used.

4.3.3 Hausman Test Result

Hausman test is used to test the random effect result against the null or alternate (fixed) effect result whether the random effect is being uncorrelated with the explanatory variables. In Table 4.4, the p-value of the Hausman test is greater than 5%, this indicate that the random effect specification is appropriate and is preferred in the test result.

Table 4.4 Hausman Test Result

Correlated Random Effects - Hausman Test

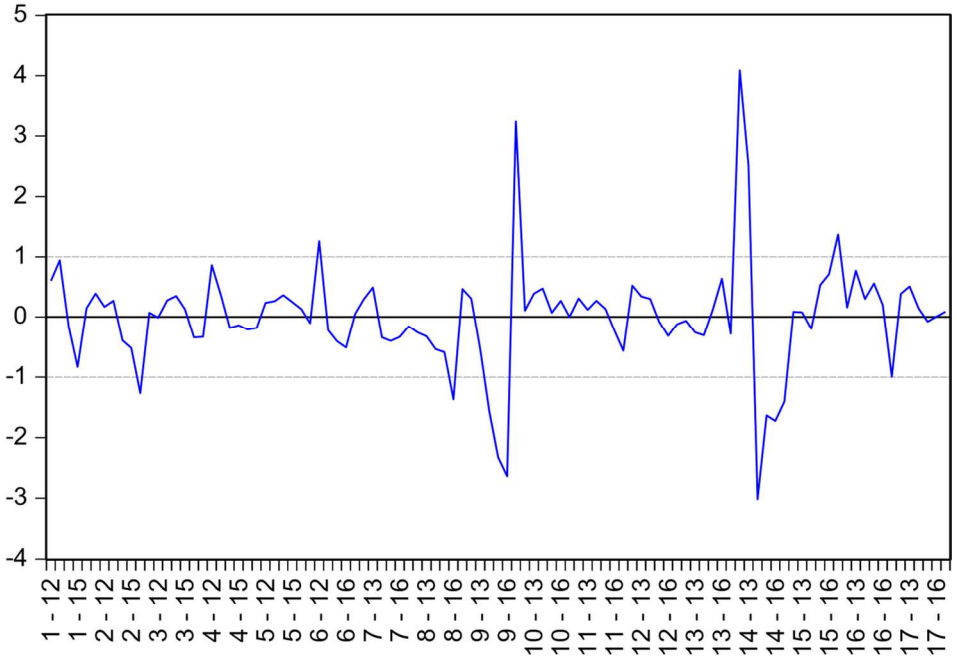
Test summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross -section random	1.527020	4	0.8218

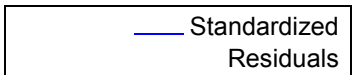
Source: Author's Computation (2019)

4.3.4 Heteroskedasticity Test Result

Heteroskedasticity test was carried out in order to determine the appropriate estimation regression model for the study. Figure 4.1 shows that there is outlier in the variables. Outlier is an observation point that lies in an abnormal distance from other observation values in the sample. This shows that there is heteroskedasticity in the variables which is not in line with the assumptions of ordinary least square. The presence of heteroskedasticity was corrected using the generalized linear model (GLM). This study focused on the GLM method to ensure the regression model is homoscedastic.

Figure 4.1: Residual Graph





Source: Author's Computation (2019).

4.3.5 Interpretation of GLM result

The regression result (table 4.5) represents a robustness test for the model using GLM method to correct heteroskedasticity. The result is not in line with random effect (as stated by the hausman test). This indicates that due to the presence of outlier, the regression result is unbiased. Hence, the GLM result was used for testing the hypotheses

The p-value indicated that only MGEFF is statistically significant at 5% level of significance and ATANG at 10% level of significance (Table 4.5) while LQD and LVG are insignificant at 5% significance level.

Table 4.5 Generalized Linear Model result

Variable	Coefficient	z-value	p-value
MGEFF	65.97837	19.87548	0.0000
LQD	-0.008409	-1.418729	0.1560
LVG	0.056722	1.188277	0.2347
ATANG	0.066677	1.599428	0.1029

Source: Authors' computation (2019)

4.4 Discussion of Findings

The GLM result revealed that management efficiency as shown in table 4.5 has a z-value of 19.875, a coefficient value of 65.978 with a significant p-value of 0.0000. This indicates that the variable had a positive and strong influence on the financial performance of quoted consumer goods firms in Nigeria hence consumer goods firms should keep up their efficiency level to continue having high performance. This provides a basis to reject the null hypothesis which states that there is no significant relationship between management efficiency and financial performance measured by ROA of quoted consumer goods firms. This result is however consistent with the a priori expectation which postulated a positive relationship and implies that a unit increase in management efficiency will lead to 0.659 increase in financial performance. This result is however contrary to that of Mohammed (2017). This variation could be as a result of difference in the variables used to measure performance and firm attributes and the use of different sectors.

This is also in line with resource based theory which states that when a firm has competitive advantage over other firms using its resources it tends to maximize efficiency in the firms operation which is evident from the result.

The GLM result also showed that liquidity had a z-value of -1.418 with a coefficient value of -0.008 and an insignificant p-value of 0.15. This implies that liquidity is negative and insignificantly affects the financial performance of quoted manufacturing firms in Nigeria.

The insignificant result shows that the findings are inconclusive due to mixed findings. This is contrary to the a priori expectation which stated a positive relationship. The reason for this insignificance may be due to the fact that some firms hold excessive liquid assets and thus not able to generate earnings on them. The result is also not consistent with the resource based theory which suggests that firms with higher liquidity ratio perform better than others, because they have financial resources available to conduct normal business operations. This is however consistent with the work of Irom et al (2018) and Dioha et. al, (2018) but contrary to that of Kazeem (2015). This also serves as a basis to accept the null hypothesis.

Furthermore, the GLM result revealed that leverage had a z-value of 1.188 with a coefficient value of 0.056 and a p-value of 0.2347 which indicates that the variable has positive but insignificant relationship with financial performance of quoted consumer goods firms in Nigeria.

This is contrary to the a priori expectation of the study which stated a negative relationship. This is also contrary with the findings of Dioha et. al, (2018), Kazeem (2015), Sumaira and Amjad (2013) but consistent with that of Daniel and Tilahun (2012) which shows that findings on this are also inconclusive as a result of mixed findings which may be due to variations in variables used, study domain and period covered. This also forms a basis to accept the null hypothesis. This result is however consistent with the resource based theory

which states that in order remain competitive firms need to secure additional fund to finance its resources to generate more earnings. .

Finally, the GLM result revealed that asset tangibility had a z-value of 1.599, with a coefficient value of 0.066 and p-value of 0.10 which indicates a positive significant relationship with financial performance of quoted consumer goods firms in Nigeria. This implies that asset tangibility had a positive and strong influence on the financial performance of quoted consumer goods firms in Nigeria. This is in line with the a priori expectation which stated a positive relationship which implies that a unit increase in asset tangibility will lead to 0.066 increase in financial performance. This result is consistent with the findings of Daniel and Tilahun (2012) but contrary to that of Yuvaraj and Abate (2013).

The findings is also consistent with the resource based theory which states that firms with high tangible assets are able to secure external finance for investment opportunities using those resources as collaterals.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter contains summary of major findings, conclusion and recommendations on issues discovered on firm specific attributes and financial performance among quoted manufacturing firms in Nigeria.

5.1 Summary

This study was conducted to analyse the impact of firm specifics attributes and financial performance of quoted consumer goods firms in Nigeria. The study was divided into five chapters. The first chapter discussed the background issues, which led to developing four objectives and formulating four hypotheses for the research with a scope covering six (6) years, from 2012 to 2017.

The review of conceptual literature and empirical studies revealed inconsistency in findings of previous studies. The resource based and agency theories served as theoretical framework that underpinned the study.

Ex-post facto research design was used in measuring the relationship among the variables of the study. Data was collected from secondary source through the annual reports and accounts of the sampled firms and from Nigeria stock exchange. The population of the study consisted of only the quoted consumer goods firms in Nigerian Stock Exchange, with seventeen of them used as the sample size as a result of their complete financial records on the Nigerian Stock Exchange for a period of six years (2012-2017). The data were analysed using descriptive statistics, correlation analysis, panel data analysis and generalized linear model with the aim of explaining and predicting empirically the relationship between firm specific attributes and financial performance of the firms.

Panel data techniques (fixed effects and random effects models) were utilized to investigate the impact of firm specific characteristics on financial performance of quoted consumer goods firms in Nigeria. The Hausman specification test showed that random effects model is the more appropriate model in this study. However the test of heteroskedasticity showed the presence of outliers in the variable and to correct this, the generalized linear model (GLM) was used in running the regression analysis. The results of GLM revealed that

management efficiency and asset tangibility are significant determinants of financial performance while liquidity and leverage of the firms are insignificant. Specifically, management efficiency and asset tangibility had positive significant relationship while liquidity had negative insignificant relationship with financial performance. However, leverage had positive but insignificant relationship with financial performance of quoted consumer goods firms in Nigeria.

5.2 Conclusion

Management efficiency had a positive and significant relationship with financial performance of quoted manufacturing firms in Nigeria based on the findings, hence it implies that it has a strong influence on financial performance. Liquidity had a negative insignificant relationship with financial performance which signifies that excessive liquid assets could diminish the financial performance of firms.

Furthermore, leverage had a positive insignificant relationship with financial performance which implies that high debt ratio increases financial performance as most studies suggested but does not necessarily enhance the financial performance of firms. Finally, asset tangibility had a positive significant relationship with financial performance which implies that it has a strong influence on financial performance of quoted consumer goods firms in Nigeria.

5.3 Recommendations

In view of the findings and conclusion, the following recommendations were made;

- Based on the positive significant effect of management efficiency on financial performance of quoted consumer goods firms, it is recommended that the management of the firms should keep on ensuring the optimal utilization of their assets while making the best use of their resources during the process of delivering their service as this will go a long way in improving their performance.
- As a result of the negative effect of liquidity on the financial performance of quoted consumer goods firms, the study recommends that the firms improve on their liquidity and ensure that neither insufficient nor unnecessary funds are invested in current assets.
- Based on the positive effect but not too strong influence of leverage on financial performance the study recommends that quoted consumer good firms can increase their debt ratio but they should however ensure a proper mix in their capital structure, in order not to be highly geared which could be detrimental on the long run.
- Asset tangibility also had a positive and strong influence on financial performance hence based on this the study recommends that quoted consumer goods firms should hold enough assets which will serve as a useful means of securing external

debt to create investment opportunities and thus generate more earnings which enhance performance.

5.4. Contribution to Knowledge

Given that firm specific attribute is an important topic that has been studied relatively in developing economies, like Nigeria, this study contributes to existing literature by proving more complete evidence on the relationship between firm specific attribute and financial performance of quoted consumer firms goods firms in Nigeria by using internal attributes which focused on core management competencies of quoted consumer goods firms which is not evident in previous studies carried out in the research area. Hence by focusing on these variables the study was able to contribute to existing empirical literature.

5.5 Limitation and Delimitation of the Study

The limitation of this research is that it does not capture other quoted manufacturing firms, hence the result may differ if other quoted firms were included. Also the study considered only four internal financial proxies of firm specific attributes without considering other proxies of firm specific attributes, therefore, the result may be different if other variables were to be added. However, these limitations have not in any way affected the submission of this study or diminish its relevance as it clarifies the importance of firm specific attributes used.

5.6 Suggestions for Further Research

This study has considered only four explanatory variables relating to financial performance of quoted manufacturing firms in Nigeria. Future studies may consider more variables. Again, it is suggested that Return on Equity, Net Profit Margin, Tobins Q should also be regressed on the explanatory variables used in this study to find their extent of relationship on financial performance of firms in Nigeria.

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